MANGAUNG

AT THE HEART OF IT ALL

Mangaung Metropolitan Municipality
Consolidated Annual Financial Statements
for the year ended 30 June 2017

General Information

Legal form of entity	Municipality
Nature of business and principal activities	Providing municipal services and maintaining the best interest of the local community, mainly in the Mangaung area
Grading of local authority	Metropolitan
Executive Mayor	SM Mlamleli
Deputy Executive Mayor	LA Masoetsa
Speaker	MA Siyonzana
Chief Whip	ZE Mangcotywa
Mayoral committee	VE Jonas MM Mahase NP Monyakoana MA Morake J Nothnagel M Nkhabu XD Pongolo NA Ratsiu LM Titi-Odili
Accounting Officer	Adv T Mea
Chief Finance Officer (CFO)	ME Mohlahlo
Registered office and business address	Bram Fischer Building Cnr Nelson Mandela Drive and Markgraaf Street Bloemfontein 9301
Postal address	PO Box 3704 Bloemfontein 9301
Bankers	ABSA Development Bank of South Africa First National Bank Nedbank Standard Bank
Auditors	Auditor-General of South Africa
Enabling legislation	Municipal Finance Management Act, (Act 56 of 2003) Municipal Systems Act, (Act 32 of 2000) Municipal Structures Act, (Act 117 of 1998) Municipal Property Rates Act, (Act 6 of 2004) Division of Revenue Act, (Act 3 of 2016) Municipal Demarcation Act, (Act 27 of 1998)

Index

The reports and statements set out below comprise the consolidated annual financial statements presented to the council and the provincial legislature:

Abbreviations

1. Abbreviations used within the annual financial statements

ACT	Actual
BAL	Balance
COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
FV	Fair Value
GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
IGRAP	Interpretation of the Standards of Generally Recognised Accounting Practice
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act, (Act 56 of 2003)
MIG	Municipal Infrastructure Grant (Previously CMIP)
MSCOA	Municipal Standard Chart of Accounts
PAYE	Pay As You Earn
PPE	Property, Plant and Equipment
SALGA	South African Local Government Association
UIF	Unemployment Insurance Fund
VAR	Variance
VAT	Value Added Tax
WIP	Work-in-Progress

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act, (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the consolidated annual financial statements and related financial information included in this report. It is the responsibility of the accounting officers to ensure that the consolidated annual financial statements fairly present the state of affairs of the entity as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the consolidated annual financial statements and were given unrestricted access to all financial records and related data.

The consolidated annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The consolidated annual financial statements are based upon appropriate accounting policies consistently applied, unless indicated in note 2, and are supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the entity and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the entity and all employees are required to maintain the highest ethical standards in ensuring the entity's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the entity is on identifying, assessing, managing and monitoring all known forms of risk across the entity. While operating risk cannot be fully eliminated, the entity endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is responsible for the preparation of these annual financial statements in terms of Section 126(1) of the Municipal Finance Management Act, (Act 56 of 2003), and has signed on behalf of the entity.

The accounting officer certifies that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in note 43 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act, (Act 20 of 1998) and the Minister of Provincial and Local Government's determination in accordance with this Act.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the consolidated annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the entity's cash flow forecast for the year to 30 June 2018 and, in the light of this review and the current financial position, he is satisfied that the entity has or has access to adequate resources to continue in operational existence for the foreseeable future. Details regarding the assumptions have been included in note 64.

Although the accounting officer is primarily responsible for the financial affairs of the entity, he is supported by the entity's external auditors to express an independent opinion of the fair presentation of the annual financial statements.

The external auditors are responsible for independently reviewing and reporting on the entity's consolidated annual financial statements.

The consolidated annual financial statements set out on pages 6 to 134, which have been prepared on the going concern basis, were approved and signed by the accounting officer on 30 September 2017:

Accounting Officer
Adv TB Mea

Accounting Officer's Report

The accounting officer submit his report for the year ended 30 June 2017.

1. Review of activities

Main business and operations

The entity is engaged in providing municipal services and maintaining the best interest of the local community, mainly in the Mangaung area and operates principally in South Africa.

The operating results and state of affairs of the entity are fully set out in the attached consolidated annual financial statements and do not in my opinion require any further comment.

Net surplus of the entity was R 1,129,299,399 (2016: deficit R 279,527,266).

2. Going concern

I draw attention to the fact that at 30 June 2017, the entity had accumulated surplus of R 13,234,095,693 and that the entity's total assets exceed its total liabilities by R 15,351,479,098.

The consolidated annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business. Refer to note 64 for further details.

The entity still has the power to levy rates and taxes and it will continue to receive funding from government as evident from the equitable share allocation in terms of the Division of Revenue Act, (Act 3 of 2017).

3. Subsequent events

On 31 August 2017 the Council approved the following matters:

The Council wrote off Unauthorised expenditure relating to the former Naledi Local Municipality to the value of R62,815,000. Refer to note 66 for further details.

The Council transferred the electricity function, together with the related assets and liabilities, relating to the former Naledi Local Municipality to Centlec (SOC) Limited. Refer to note 40 for further details.

These have been accounted for as adjusting events after the reporting date.

4. Accounting Officer's interest in contracts

None.

5. Accounting policies

The annual financial statements prepared in accordance with the South African Statements of Generally Recognised Accounting Practice (GRAP), including any interpretations of such Statements issued by the Accounting Standards Board, and in accordance with section 122(3) of the Municipal Finance Management Act, (Act No. 56 of 2003). The accounting policies are presented on pages 16 to 52, and unless indicated in note 2 are consistent with the prior year.

6. Re-determination of the boundaries of the entity

On 2 July 2015 the Municipal Demarcation Board issued circular 8/2015 which re-determined certain municipal boundaries. As a result of this re-determination, the boundaries of Mangaung Metropolitan Municipality has been extended to include Naledi Local Municipality and the town of Soutpan from Masilonyane Local Municipality. These changes are effective as of 6 August 2016.

The inclusion of the mentioned areas has been accounted for in accordance with GRAP 106 - Transfer of functions between entities not under common control. Further detail relating to the transfer of function is disclosed in note 40 to these annual financial statements.

7. Accounting Officer

The accounting officers of the entity during the year and to the date of this report were as follows:

Name	Nationality	Changes
Adv T Mea	South African	Appointed to acting position - 15 December 2015 till 28 February 2017
S More	South African	Appointed to acting position - 1 March 2017 till 31 March 2017
Adv T Mea	South African	Appointed in position - 1 April 2017

Statement of Financial Position as at 30 June 2017

Figures in Rand	Note(s)	2017	2016 Restated*
Assets			
Current Assets			
Inventories	3	465,752,267	438,906,236
Other receivables from non-exchange transactions	4	-	4,454,092
Other receivables from exchange transactions	5	91,060,256	97,298,186
Consumer receivables from non-exchange transactions	6	325,088,698	262,419,381
Consumer receivables from exchange transactions	7	1,188,807,381	914,838,587
VAT receivable	8	7,693,908	51,078,611
Investments	9	162,721,621	107,818,543
Cash and cash equivalents	10	231,774,481	325,679,377
Non-current receivables	15	275,470	295,545
		2,473,174,082	**2,202,788,558**
Non-Current Assets			
Investment property	11	1,584,438,863	1,493,202,000
Property, plant and equipment	12	16,314,020,082	14,701,097,317
Intangible assets	13	112,264,692	109,096,006
Heritage assets	14	277,768,687	321,568,687
Non-current receivables	15	2,227,421	2,732,863
Deferred tax	16	230,245,210	143,891,447
		18,520,964,955	**16,771,588,320**
Total Assets		**20,994,139,037**	**18,974,376,878**
Liabilities			
Current Liabilities			
Payables from exchange transactions	17	1,422,627,679	1,332,737,372
Payables from non-exchange transactions	18	290,809,569	286,199,407
Consumer deposits	19	150,182,327	161,471,743
Unspent conditional grants and receipts	20	163,959,636	106,083,319
Operating lease liability	21	-	97,893
Current portion of Finance lease obligation	22	13,832,226	44,968,869
Current portion of Borrowings	23	138,707,448	100,965,374
Current portion of Provisions	24	338,084,578	343,044,893
Current portion of Employee benefit obligation	25	1,461,000	806,000
		2,519,664,463	**2,376,374,870**
Non-Current Liabilities			
Deferred tax	16	525,002,732	462,929,813
Finance lease obligation	22	6,070,317	20,184,450
Borrowings	23	1,072,530,241	673,092,551
Provisions	24	178,043,636	178,043,635
Employee benefit obligation	25	839,678,000	729,754,000
FRESHCO liability	26	204,013,644	214,558,041
Land availability liability	27	297,656,906	186,119,361
		3,122,995,476	**2,464,681,851**
Total Liabilities		**5,642,659,939**	**4,841,056,721**
Net Assets		**15,351,479,098**	**14,133,320,157**
Reserves			
Revaluation reserve	28	2,037,901,266	1,961,930,567
Other NDR	29	60,000,000	60,000,000
Self insurance reserve	30	5,000,000	5,000,000
COID reserve	31	14,482,139	12,511,880
Accumulated surplus		13,234,095,693	12,093,877,710
Total Net Assets		**15,351,479,098**	**14,133,320,157**

* See Note 59 & 60

Statement of Financial Performance

Figures in Rand	Note(s)	2017	2016 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	33	3,187,569,168	2,890,662,390
Rental of facilities and equipment	34	35,764,278	33,243,326
Income from agency services		3,844,123	4,788,455
Licences and permits		259,038	656,529
Other income from exchange transactions	35	85,476,099	96,378,229
Interest received	36	272,276,682	220,587,550
Total revenue from exchange transactions		**3,585,189,388**	**3,246,316,479**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	37	993,753,704	810,476,472
Transfer revenue			
Government grants and subsidies	38	1,817,908,000	1,710,171,686
Other income from non-exchange transactions	39	5,229,948	30,269,636
Fines		38,278,450	51,082,513
Gain from transfer of functions between entities not under common control	40	1,149,737,705	-
Total revenue from non-exchange transactions		**4,004,907,807**	**2,602,000,307**
Total revenue	32	**7,590,097,195**	**5,848,316,786**
Expenditure			
Employee related costs	41	(1,605,678,326)	(1,427,114,744)
Remuneration of councillors	42	(56,028,903)	(52,421,659)
Depreciation and amortisation	43	(909,272,947)	(705,251,459)
Impairment loss / reversal of impairments	44	(3,682,496)	(5,691,602)
Finance costs	45	(181,763,257)	(141,059,324)
Debt impairment	46	(663,385,669)	(363,199,628)
Repairs and maintenance	47	(397,507,138)	(550,539,165)
Bulk purchases	48	(1,906,618,478)	(1,758,933,035)
Contracted services	49	(429,092,578)	(494,628,031)
Grants and subsidies paid	50	(5,810,922)	(5,196,378)
General expenses	51	(408,010,902)	(469,464,667)
Total expenditure		**(6,566,851,616)**	**(5,973,499,692)**
Operating surplus (deficit)		**1,023,245,579**	**(125,182,906)**
Actuarial gains/(losses)	25	(10,584,000)	(2,320,822)
Loss on disposal of assets and liabilities		(14,892,960)	(11,173,708)
Fair value adjustments	52	91,231,256	(138,954,141)
Rehabilitation provision movement		16,018,699	(6,183,061)
		81,772,995	**(158,631,732)**
Surplus (deficit) before taxation		**1,105,018,574**	**(283,814,638)**
Taxation	53	24,280,825	4,287,372
Surplus (deficit) for the year		**1,129,299,399**	**(279,527,266)**

* See Note 59 & 60

Statement of Changes in Net Assets

Figures in Rand	Revaluation reserve	Other NDR	Self insurance reserve	COID reserve	Total reserves	Accumulated surplus	Total net assets
Opening balance as previously reported	1,984,560,395	60,000,000	5,000,000	10,628,620	2,060,189,015	11,686,889,028	13,747,078,043
Adjustments							
Prior year adjustments	-	-	-	-	-	666,303,370	666,303,370
Balance at 01 July 2015 as restated*	**1,984,560,395**	**60,000,000**	**5,000,000**	**10,628,620**	**2,060,189,015**	**12,353,192,398**	**14,413,381,413**
Changes in net assets							
Surplus for the year	-	-	-	-	-	(279,527,266)	(279,527,266)
Impairment losses on revalued capital assets	(17,794,678)	-	-	-	(17,794,678)	-	(17,794,678)
Revaluation	17,260,688	-	-	-	17,260,688	-	17,260,688
Realisation of the revaluation reserve	(22,095,838)	-	-	-	(22,095,838)	22,095,838	-
Contributions	-	-	180,770	3,393,230	3,574,000	(3,574,000)	-
Insurance claims processed	-	-	(180,770)	(1,509,970)	(1,690,740)	1,690,740	-
Total changes	(22,629,828)	-	-	1,883,260	(20,746,568)	(259,314,688)	(280,061,256)
Opening balance as previously reported	1,961,930,567	60,000,000	5,000,000	12,511,880	2,039,442,447	11,455,329,800	13,494,772,247
Adjustments							
Prior year adjustments	-	-	-	-	-	638,547,918	638,547,918
Restated* Balance at 01 July 2016 as restated*	**1,961,930,567**	**60,000,000**	**5,000,000**	**12,511,880**	**2,039,442,447**	**12,093,877,718**	**14,133,320,165**
Changes in net assets							
Surplus for the year	-	-	-	-	-	1,129,299,399	1,129,299,399
Impairment losses on revalued capital assets	(71,964,135)	-	-	-	(71,964,135)	-	(71,964,135)
Revaluation of assets	160,823,669	-	-	-	160,823,669	-	160,823,669
Realisation of revaluation reserve	(12,888,835)	-	-	-	(12,888,835)	12,888,835	-
Contributions received	-	-	305,390	3,511,922	3,817,312	(3,817,312)	-
Insurance claims processed	-	-	(305,390)	(1,541,663)	(1,847,053)	1,847,053	-
Total changes	75,970,699	-	-	1,970,259	77,940,958	1,140,217,975	1,218,158,933
Balance at 30 June 2017	**2,037,901,266**	**60,000,000**	**5,000,000**	**14,482,139**	**2,117,383,405**	**13,234,095,693**	**15,351,479,098**
Note(s)	28	29	30	31			

* See Note 59 & 60

Cash Flow Statement

Figures in Rand	Note(s)	2017	2016 Restated*
Cash flows from operating activities			
Receipts			
Cash receipts from customers		3,410,181,376	3,321,840,411
Grants received		1,866,918,320	1,708,771,176
Interest income		253,700,337	187,767,852
		5,530,800,033	5,218,379,439
Payments			
Employee costs		(1,633,652,247)	(1,458,349,225)
Suppliers		(3,044,706,655)	(2,714,507,876)
Finance costs		(234,408)	(7,774)
		(4,678,593,310)	(4,172,864,875)
Net cash flows from operating activities	54	**852,206,723**	**1,045,514,564**
Cash flows from investing activities			
Purchase of property, plant and equipment	12	(1,164,967,744)	(1,431,742,667)
Proceeds from sale of investment property	11	-	176,000
Purchase of other intangible assets	13	(15,293,198)	(6,741,420)
Transfer of functions between entities not under common control	40	4,362,110	-
Proceeds from sale of financial assets		460,014	1,653,610
Purchase of investments		(54,903,078)	254,896,890
Interest (paid) / received		18,576,345	32,819,698
Net cash flows from investing activities		**(1,211,765,551)**	**(1,148,937,889)**
Cash flows from financing activities			
Proceeds from borrowings		500,000,000	173,000,000
Repayment of borrowings		(62,820,236)	(20,502,332)
Consumer deposits		(12,350,304)	59,802,841
Finance lease payments		(45,252,688)	(45,185,070)
Finance costs		(113,922,849)	(50,923,871)
Net cash flows from financing activities		**265,653,923**	**116,191,568**
Net increase/(decrease) in cash and cash equivalents		**(93,904,905)**	**12,768,243**
Cash and cash equivalents at the beginning of the year		325,679,377	312,911,132
Cash and cash equivalents at the end of the year	10	**231,774,472**	**325,679,375**

* See Note 59 & 60

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference Note 73
Statement of Financial Performance						
Revenue						
Revenue by source						
Property rates	1,009,751,519	15,719,541	1,025,471,060	993,753,704	(31,717,356)	A1; B1
Service charges	3,528,306,579	(14,038,732)	3,514,267,847	3,215,219,574	(299,048,273)	A2; B2
Investment revenue	66,123,600	-	66,123,600	29,048,255	(37,075,345)	B3
Transfers recognised - operational	1,212,506,974	(8,788,205)	1,203,718,769	1,077,317,895	(126,400,874)	A3; B4
Other own revenue	825,335,211	-	825,335,211	1,595,437,972	770,102,761	B5
Total Revenue (excluding capital transfers and contributions)	**6,642,023,883**	**(7,107,396)**	**6,634,916,487**	**6,910,777,400**	**275,860,913**	
Expenditure by type						
Employee costs	(1,780,159,964)	35,625,520	(1,744,534,444)	(1,673,284,326)	71,250,118	A4; B6
Remuneration of councillors	(57,580,007)	2,038,454	(55,541,553)	(56,028,903)	(487,350)	A5;
Debt impairment	(297,507,538)	(35,600,000)	(333,107,538)	(663,902,460)	(330,794,922)	A6; B7
Depreciation & asset impairment	(621,796,556)	57,000	(621,739,556)	(912,979,425)	(291,239,869)	B8
Finance charges	(169,480,613)	5,877,489	(163,603,124)	(144,386,611)	19,216,513	
Materials and bulk purchases	(1,971,753,142)	13,648,265	(1,958,104,877)	(1,961,112,630)	(3,007,753)	A7;
Transfers and grants	(32,445,628)	-	(32,445,628)	(5,606,920)	26,838,708	
Other expenditure	(1,667,744,826)	1,734,277	(1,666,010,549)	(1,136,547,136)	529,463,413	A7; B9
Total expenditure	**(6,598,468,274)**	**23,381,005**	**(6,575,087,269)**	**(6,553,848,411)**	**21,238,858**	
Surplus/(Deficit)	**43,555,609**	**16,273,609**	**59,829,218**	**356,928,989**	**297,099,771**	
Transfers recognised - capital	919,386,000	(7,106,762)	912,279,238	731,477,287	(180,801,951)	A3; B4
Contributions recognised - capital & contributed assets	30,744,351	-	30,744,351	16,612,298	(14,132,053)	
Surplus/(Deficit) after capital transfers & contributions	**993,685,960**	**9,166,847**	**1,002,852,807**	**1,105,018,574**	**102,165,767**	
Taxation	-	-	-	24,280,825	24,280,825	
Surplus/(Deficit) for the year	**993,685,960**	**9,166,847**	**1,002,852,807**	**1,129,299,399**	**126,446,592**	

Refer to note 73 for the reconciliation between the Budget and the Statement of Financial Performance

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference Note
Statement of Financial Position						
Assets						
Current Assets						
Cash	62,226,219	108,997,410	171,223,629	231,774,481	60,550,852	A8
Call investment deposits	717,987,898	(397,766,983)	320,220,915	162,721,621	(157,499,294)	A8
Consumer debtors	1,535,229,446	865,580,209	2,400,809,655	1,513,896,079	(886,913,576)	A8
Other debtors	148,803,332	21,121,680	169,925,012	98,754,164	(71,170,848)	A8
Current portion of long-term receivables	15,395,958	69,216,473	84,612,431	275,470	(84,336,961)	A8
Inventory	323,798,229	457,755,869	781,554,098	465,752,267	(315,801,831)	A8
	2,803,441,082	1,124,904,658	3,928,345,740	2,473,174,082	(1,455,171,658)	
Non-Current Assets						
Long-term receivables	5,496,750	149,554,703	155,051,453	2,227,421	(152,824,032)	A8
Investments	23,500	(23,500)	-	-	-	A8
Investment property	304,868,038	1,192,638,962	1,497,507,000	1,584,438,863	86,931,863	A8
Property, plant and equipment	15,841,563,538	(570,812,150)	15,270,751,388	16,591,788,769	1,321,037,381	A8
Intangible	129,785,321	(15,066,598)	114,718,723	112,264,692	(2,454,031)	A8
Other non-current assets	339,784,446	820,010,609	1,159,795,055	-	(1,159,795,055)	A8
Deferred tax asset	-	-	-	230,245,210	230,245,210	A8
	16,621,521,593	1,576,302,026	18,197,823,619	18,520,964,955	323,141,336	
Total Assets	19,424,962,675	2,701,206,684	22,126,169,359	20,994,139,037	(1,132,030,322)	
Liabilities						
Current Liabilities						
Borrowing	110,529,665	65,619,204	176,148,869	152,539,674	(23,609,195)	A8
Consumer deposits	111,750,903	57,111,751	168,862,654	150,182,327	(18,680,327)	
Trade and other payables	2,050,098,786	896,338,351	2,946,437,137	1,877,396,884	(1,069,040,253)	A8
Provisions	246,699,036	96,345,967	343,045,003	339,545,578	(3,499,425)	A8
	2,519,078,390	1,115,415,273	3,634,493,663	2,519,664,463	(1,114,829,200)	
Non-Current Liabilities						
Borrowing	1,086,619,512	522,538,586	1,609,158,098	1,580,271,108	(28,886,990)	A8
Provisions	1,178,801,053	123,590,986	1,302,392,039	1,017,721,636	(284,670,403)	
Deferred tax	-	-	-	525,002,732	525,002,732	A8
	2,265,420,565	646,129,572	2,911,550,137	3,122,995,476	211,445,339	
Total Liabilities	4,784,498,955	1,761,544,845	6,546,043,800	5,642,659,939	(903,383,861)	
Net Assets	14,640,463,720	939,661,839	15,580,125,559	15,351,479,098	(228,646,461)	
Community wealth/equity						
Accumulated Surplus/(Deficit)	13,638,141,101	(960,453,936)	12,677,687,165	13,234,095,693	556,408,528	A8
Reserves	1,002,322,619	1,900,115,775	2,902,438,394	2,117,383,405	(785,054,989)	A8
Total community wealth/equity	14,640,463,720	939,661,839	15,580,125,559	15,351,479,098	(228,646,461)	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference Note
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Ratepayers and other	4,337,734,068	636,334,298	4,974,068,366	3,410,181,376	(1,563,886,990)	A9
Government - operating	1,212,506,974	(295,128,760)	917,378,214	1,866,918,320	949,540,106	A9
Government - capital	854,879,567	(213,375,567)	641,504,000	-	(641,504,000)	A9
Interest	228,350,914	(115,292,146)	113,058,768	253,700,337	140,641,569	A9
	6,633,471,523	**12,537,825**	**6,646,009,348**	**5,530,800,033**	**(1,115,209,315)**	
Payments						
Suppliers and employees	(4,945,638,051)	(492,948,749)	(5,438,586,800)	(4,672,547,971)	766,038,829	A9
Finance charges	(160,939,098)	8,029,522	(152,909,576)	(234,408)	152,675,168	A9
Transfers and Grants	(30,823,347)	17,835,255	(12,988,092)	(5,810,922)	7,177,170	A9
	(5,137,400,496)	**(467,083,972)**	**(5,604,484,468)**	**(4,678,593,301)**	**925,891,167**	
Net cash flows from operating activities	**1,496,071,027**	**(454,546,147)**	**1,041,524,880**	**852,206,732**	**(189,318,148)**	
Cash flows from investing activities						
Receipts						
Proceeds on disposal of PPE	97,846,058	(97,846,058)	-	-	-	A9
Transfer of functions between entities not under common control	-	-	-	4,362,111	4,362,111	
Decrease (increase) other non-current receivables	-	31,141,686	31,141,686	460,014	(30,681,672)	A9
Decrease (increase) in investments	-	(225,600,126)	(225,600,126)	(36,326,734)	189,273,392	A9
	97,846,058	**(292,304,498)**	**(194,458,440)**	**(31,504,609)**	**162,953,831**	
Payments						
Capital assets	(1,724,819,931)	649,297,675	(1,075,522,256)	(1,180,260,942)	(104,738,686)	A9
Net cash flows from investing activities	**(1,626,973,873)**	**356,993,177**	**(1,269,980,696)**	**(1,211,765,551)**	**58,215,145**	
Cash flows from financing activities						
Receipts						
Borrowing long term/refinancing	500,000,000	-	500,000,000	500,000,000	-	
Increase (decrease) in consumer deposits	4,800,000	(2,000,000)	2,800,000	(12,350,304)	(15,150,304)	A9
	504,800,000	**(2,000,000)**	**502,800,000**	**487,649,696**	**(15,150,304)**	
Payments						
Repayment of borrowing	(71,293,003)	(37,285,997)	(108,579,000)	(221,995,773)	(113,416,773)	A9
Net cash flows from investing activities	**433,506,997**	**(39,285,997)**	**394,221,000**	**265,653,923**	**(128,567,077)**	
Net increase/(decrease) in cash held	302,604,151	(136,838,967)	165,765,184	(93,904,896)	(259,670,080)	
Cash/cash equivalents at the year begin:	477,609,966	(151,930,589)	325,679,377	325,679,377	-	A9
Cash and cash equivalents at the end of the year	**780,214,117**	**(288,769,556)**	**491,444,561**	**231,774,481**	**(259,670,080)**	

Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2017

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2017											
Financial Performance											
Property rates	1,009,751,519	15,719,541	1,025,471,060	-		1,025,471,060	993,753,704		(31,717,356)	97 %	98 %
Service charges	3,528,306,579	(14,038,732)	3,514,267,847	-		3,514,267,847	3,215,219,574		(299,048,273)	91 %	91 %
Investment revenue	66,123,600	-	66,123,600	-		66,123,600	29,048,255		(37,075,345)	44 %	44 %
Transfers recognised - operational	1,212,506,974	(8,788,144)	1,203,718,830	-		1,203,718,830	1,077,317,895		(126,400,935)	89 %	89 %
Other own revenue	825,335,211	-	825,335,211	-		825,335,211	1,595,437,972		770,102,761	193 %	193 %
Total revenue (excluding capital transfers and contributions)	**6,642,023,883**	**(7,107,335)**	**6,634,916,548**	-		**6,634,916,548**	**6,910,777,400**		**275,860,852**	**104 %**	**104 %**
Employee costs	(1,780,159,964)	32,157,034	(1,748,002,930)	-	3,468,486	(1,744,534,444)	(1,673,284,326)	-	71,250,118	96 %	94 %
Remuneration of councillors	(57,580,007)	2,038,454	(55,541,553)	-	-	(55,541,553)	(56,028,903)	-	(487,350)	101 %	97 %
Debt impairment	(297,507,538)	(35,600,000)	(333,107,538)			(333,107,538)	(663,902,460)	-	(330,794,922)	199 %	223 %
Depreciation and asset impairment	(621,796,556)	-	(621,796,556)		57,000	(621,739,556)	(912,979,425)	-	(291,239,869)	147 %	147 %
Finance charges	(169,480,613)	(300,000)	(169,780,613)	-	6,177,489	(163,603,124)	(144,386,611)	-	19,216,513	88 %	85 %
Materials and bulk purchases	(1,971,753,142)	6,843,236	(1,964,909,906)	-	6,805,029	(1,958,104,877)	(1,961,112,630)	-	(3,007,753)	100 %	99 %
Transfers and grants	(32,445,628)	900,000	(31,545,628)	-	(900,000)	(32,445,628)	(5,606,920)	-	26,838,708	17 %	17 %
Other expenditure	(1,667,744,826)	17,342,361	(1,650,402,465)	-	(15,608,004)	(1,666,010,469)	(1,136,547,136)	-	529,463,333	68 %	68 %
Total expenditure	**(6,598,468,274)**	**23,381,085**	**(6,575,087,189)**	-	-	**(6,575,087,189)**	**(6,553,848,411)**	-	**21,238,778**	**100 %**	**99 %**
Surplus/(Deficit)	**43,555,609**	**16,273,750**	**59,829,359**	-		**59,829,359**	**356,928,989**		**297,099,630**	**597 %**	**819 %**

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	919,386,000	(7,106,762)	912,279,238	-		912,279,238	731,477,287		(180,801,951)	80 %	80 %
Contributions recognised - capital and contributed assets	30,744,351	-	30,744,351	-		30,744,351	16,612,298		(14,132,053)	54 %	54 %
Surplus (Deficit) after capital transfers and contributions	**993,685,960**	**9,166,988**	**1,002,852,948**	-		**1,002,852,948**	**1,105,018,574**		**102,165,626**	**110 %**	**111 %**
Taxation	-	-	-	-		-	24,280,825		24,280,825	DIV/0 %	DIV/0 %
Surplus/(Deficit) for the year	**993,685,960**	**9,166,988**	**1,002,852,948**	-		**1,002,852,948**	**1,129,299,399**		**126,446,451**	**113 %**	**114 %**

Capital expenditure and funds sources

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Total capital expenditure	1,806,094,176	(124,191,349)	1,681,902,827	-		1,681,902,827	1,197,044,609		(484,858,218)	71 %	66 %
Sources of capital funds											
Transfers recognised - capital	919,386,001	(7,106,701)	912,279,300	-		912,279,300	-		(912,279,300)	- %	- %
Public contributions and donations	30,744,351	-	30,744,351	-		30,744,351	-		(30,744,351)	- %	- %
Borrowing	579,849,000	(114,781,314)	465,067,686	-		465,067,686	-		(465,067,686)	- %	- %
Internally generated funds	276,114,825	(2,303,335)	273,811,490	-		273,811,490	-		(273,811,490)	- %	- %
Total sources of capital funds	**1,806,094,177**	**(124,191,350)**	**1,681,902,827**	-		**1,681,902,827**	-		**(1,681,902,827)**	**- %**	**- %**

Appropriation Statement

Figures in Rand	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Cash flows											
Net cash from (used) operating	1,092,790,943	(65,107,338)	1,027,683,605	-		1,027,683,605	852,206,723		(175,476,882)	83 %	78 %
Net cash from (used) investing	(1,277,561,253)	388,185,234	(889,376,019)	-		(889,376,019)	(1,211,765,551)		(322,389,532)	136 %	95 %
Net cash from (used) financing	437,736,223	(175,909,944)	261,826,279	-		261,826,279	265,653,923		3,827,644	101 %	61 %
Net increase/(decrease) in cash and cash equivalents	**252,965,913**	**147,167,952**	**400,133,865**	-		**400,133,865**	**(93,904,905)**		**(494,038,770)**	**(23)%**	**(37)%**
Cash and cash equivalents at the beginning of the year	-	(201,568,947)	(201,568,947)	-		(201,568,947)	325,679,377		527,248,324	(162)%	DIV/0 %
Cash and cash equivalents at year end	**252,965,913**	**(54,400,995)**	**198,564,918**	-		**198,564,918**	**231,774,472**		**(33,209,554)**	**117 %**	**92 %**

Accounting Policies

1. Presentation of Consolidated Annual Financial Statements

The consolidated annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act 56 of 2003).

These consolidated annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

In the absence of an issued and effective Standard of GRAP, accounting policies for material transactions, events or conditions were developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 as read with Directive 5.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these consolidated annual financial statements, are disclosed below.

These accounting policies, other than those disclosed in note 2, are consistent with the previous period.

1.1 Consolidation

Basis of consolidation

Consolidated annual financial statements are the consolidated annual financial statements of the economic entity and its municipal entity presented as those of a single entity.

The consolidated annual financial statements incorporate the annual financial statements of the controlling entity and the controlled entity.

Consolidated annual financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

Control exists when the controlling entity has the power to govern the financial and operating policies of another entity so as to obtain benefits from its activities.

The results of the controlled entity, are included in the consolidated annual financial statements from the effective date of acquisition or date when control commences to the effective date of disposal or date when control ceases. The difference between the proceeds from the disposal of the controlled entity and its carrying amount as of the date of disposal, including the cumulative amount of any exchange differences that relate to the controlled entity recognised in net assets in accordance with the Standard of GRAP on The Effects of Changes in Foreign Exchange Rates, is recognised in the consolidated statement of financial performance as the surplus or deficit on the disposal of the controlled entity.

An investment in an entity is accounted for in accordance with the Standards of GRAP on Financial Instruments from the date that it ceases to be a controlled entity, unless it becomes an associate or a jointly controlled entity, in which case it is accounted for as such. The carrying amount of the investment at the date that the entity ceases to be a controlled entity is regarded as the fair value on initial recognition of a financial asset in accordance with the Standards of GRAP on Financial Instruments.

The revenue and expenses of a controlled entity are included in the consolidated annual financial statements from the transfer date or acquisition date as defined in the Standards of GRAP on Transfer of functions between entities under common control or Transfer of functions between entities not under common control. The revenue and expenses of the controlled entity are based on the values of the assets and liabilities recognised in the controlling entity's consolidated annual financial statements at the acquisition date.

The annual financial statements of the controlling entity and its controlled entity are used in the preparation of the consolidated annual financial statements are prepared as of the same date.

Adjustments are made when necessary to the annual financial statements of the controlled entity to bring its accounting policies in line with those of the controlling entity.

All intra-entity transactions, balances, revenues and expenses are eliminated in full on consolidation.

1.2 Going concern assumption

These consolidated annual financial statements have been prepared based on the expectation that the entity will continue to operate as a going concern for at least the next 12 months.

1.3 Transfer of functions between entities not under common control

The acquisition method

The entity accounts for each transfer of functions between entities not under common control by applying the acquisition method.

Applying the acquisition method requires:
(a) identifying the acquirer;
(b) determining the acquisition date;
(c) recognising and measuring the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree; and
(d) recognising the difference between (c) and the consideration transferred to the seller.

Identifying the acquirer

For each transfer of functions between entities not under common control, one of the combining entities is identified as the acquirer.

The terms and conditions of a transfer of functions undertaken between entities not under common control are set out in a binding arrangement.

Determining the acquirer includes a consideration of, amongst other things, which of the combining entities initiated the transaction or event, the relative size of the combining entities, as well as whether the assets or revenue of one of the entities involved in the transaction or event significantly exceed those of the other entities. If no acquirer can be identified, the transaction or event is accounted for in terms of the Standard of GRAP on Mergers.

Determining the acquisition date

The acquirer identifies the acquisition date, which is the date on which it obtains control of the acquiree.

All relevant facts and circumstances are considered in identifying the transfer date.

Recognising and measuring the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree

Recognition principle

As of the acquisition date, the entity as acquirer recognises, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree.

Recognition conditions:

To qualify for recognition as part of applying the acquisition method, the identifiable assets acquired and liabilities assumed must meet the definitions of assets and liabilities in the Framework for the Preparation and Presentation of Financial Statements and the recognition criteria in the applicable Standards of GRAP at the acquisition date.

In addition, to qualify for recognition as part of applying the acquisition method, the identifiable assets acquired and liabilities assumed must be part of what the entity as acquirer and the acquiree (or its former owners) agreed in the binding arrangement rather than the result of separate transactions.

Operating leases:

The entity as acquirer recognises no assets or liabilities related to an operating lease in which the acquiree is the lessee.

The entity as acquirer determines whether the terms of each operating lease in which the acquiree is the lessee are favourable or unfavourable. The entity as acquirer recognises an intangible asset if the terms of an operating lease are favourable relative to market terms and a liability if the terms are unfavourable relative to market terms.

An identifiable intangible asset may be associated with an operating lease, which may be evidenced by market participants' willingness to pay a price for the lease even if it is at market terms.

Intangible assets:

The entity as acquirer separately recognises the identifiable intangible assets acquired in a transfer of functions. An intangible asset is identifiable if it meets either the separability criterion or the contractual-legal right criterion.

1.3 Transfer of functions between entities not under common control (continued)

Classifying or designating identifiable assets acquired and liabilities assumed in a transfer of functions:

At the acquisition date, the entity as acquirer classifies or designates the identifiable assets acquired and liabilities assumed as necessary to apply other Standards of GRAP subsequent to the acquisition date. The entity as acquirer makes those classifications or designations on the basis of the terms of the binding arrangement, economic conditions, its operating or accounting policies and other relevant conditions as they exist at the acquisition date.

Measurement principle

The entity as acquirer measures the identifiable assets acquired and the liabilities assumed at their acquisition-date fair values.

Non-controlling interest in an acquiree:

For each transfer of functions, the entity as acquirer measures at the acquisition date components of non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation at either:
- fair value; or
- the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets.

Assets with uncertain cash flows (valuation allowances):

The entity as acquirer does not recognise a separate valuation allowance as of the acquisition date for assets acquired in a transfer of functions that are measured at their acquisition-date fair values because the effects of uncertainty about future cash flows are included in the fair value measure.

Assets subject to operating leases in which the acquiree is the lessor:

In measuring the acquisition-date fair value of an asset such as a building or a patent that is subject to an operating lease in which the acquiree is the lessor, the entity as acquirer takes into account the terms of the lease.

Exceptions to the recognition principles

Contingent liabilities:

The requirements in the Standard of GRAP on Provisions, Contingent assets and Contingent liabilities do not apply in determining which contingent liabilities to recognise as of the acquisition date. Instead, the entity as acquirer recognises as of the acquisition date a contingent liability assumed in a transfer of functions if it is a present obligation that arises from past events and its fair value can be measured reliably.

Exceptions to both the recognition and measurement principles

Employee benefits:

The entity as acquirer recognises and measures a liability (or asset, if any) related to the acquiree's employee benefit arrangements in accordance with the Standard of GRAP on Employee Benefits.

Indemnification assets:

The seller in a transfer of functions may contractually indemnify the entity as acquirer for the outcome of a contingency or uncertainty related to all or part of a specific asset or liability. The entity as acquirer recognises an indemnification asset at the same time that it recognises the indemnified item measured on the same basis as the indemnified item, subject to the need for a valuation allowance for uncollectible amounts. Therefore, if the indemnification relates to an asset or a liability that is recognised at the acquisition date and measured at its acquisition-date fair value, the entity as acquirer recognises the indemnification asset at the acquisition date measured at its acquisition-date fair value. For an indemnification asset measured at fair value, the effects of uncertainty about future cash flows because of collectability considerations are included in the fair value measure and a separate valuation allowance is not necessary.

Exceptions to the measurement principle

Reacquired rights:

The entity as acquirer measures the value of a reacquired right recognised as an intangible asset on the basis of the remaining contractual term of the related contract or other binding arrangement regardless of whether market participants would consider potential renewals of the contract or other binding arrangement in determining its fair value.

Accounting Policies

1.3 Transfer of functions between entities not under common control (continued)

Recognising and measuring the difference between the assets acquired and liabilities assumed and the consideration transferred (if any)

The entity as acquirer recognises the difference between the assets acquired and liabilities assumed and the consideration transferred (if any) as of the acquisition date in surplus or deficit. This difference is measured as the excess of (a) over (b) below:
(a) the aggregate of:
 (i) the consideration transferred (if any) measured in accordance with this Standard, which generally requires acquisition-date fair value;
 (ii) the amount of any non-controlling interest in the acquiree measured in accordance with this Standard; and
 (iii) in a transfer of functions achieved in stages, the acquisition-date fair value of the entity as acquirer's previously held equity interest in the acquiree.
(b) the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed measured in accordance with this Standard.

Consideration transferred

The consideration transferred in a transfer of functions is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the entity as acquirer, the liabilities incurred by the entity as acquirer to former owners of the acquiree and the residual interests issued by the entity as acquirer.

Contingent consideration:

The consideration the entity as acquirer transfers in exchange for the acquiree includes any asset or liability resulting from a contingent consideration arrangement. The entity as acquirer recognises the acquisition-date fair value of contingent consideration as part of the consideration transferred in exchange for the acquiree.

The entity as acquirer classifies an obligation to pay contingent consideration as a liability or as net assets on the basis of the definitions of a residual interest and a financial liability in the Standard of GRAP on Financial instruments, or other applicable Standard of GRAP. The entity as acquirer classifies as an asset a right to the return of previously transferred consideration if specified conditions are met.

A transfer of functions achieved in stages

A entity as acquirer sometimes obtains control of an acquiree in which it held a residual interest immediately before the acquisition date.

In a transfer of functions achieved in stages, the entity as acquirer remeasures its previously held residual interest in the acquiree at its acquisition-date fair value and recognises the resulting gain or loss, if any, in surplus or deficit. In prior reporting periods, the entity as acquirer may have recognised changes in the value of its residual interest in the acquiree in surplus or deficit. If so, the amount that was recognised in surplus or deficit is recognised on the same basis as would be required if the entity as acquirer had disposed directly of the previously held residual interest.

Measurement period

If the initial accounting for a transfer of functions is incomplete by the end of the reporting period in which the transfer occurs, the entity as acquirer reports in its annual financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, the entity as acquirer retrospectively adjusts the provisional amounts recognised at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognised as of that date.

During the measurement period, the entity as acquirer also recognises additional assets or liabilities if new information is obtained about facts and circumstances that existed as of the acquisition date and, if known, would have resulted in the recognition of those assets and liabilities as of that date. The measurement period ends as soon as the entity as acquirer receives the information it was seeking about facts and circumstances that existed as of the acquisition date or learns that more information is not obtainable. However, the measurement period does not exceed two years from the acquisition date.

Determining what is part of the transfer of functions transaction

The entity as acquirer and the acquiree may have a pre-existing relationship or other arrangement before or when negotiations for the transfer of functions began, or they may enter into a binding arrangement during the negotiations that is separate from the transfer of functions. In either situation, the entity as acquirer identifies any amounts that are not part of what the entity as acquirer and the acquiree (or its former owners) exchanged in the transfer of functions. The acquirer recognises as part of applying the acquisition method only the consideration transferred (if any) for the acquiree and the assets acquired and liabilities assumed by the entity as acquirer in the transfer of functions as governed by the terms and conditions of the binding arrangement.

Effective settlement of a pre-existing relationship between the entity as acquirer and acquiree in a transfer of functions

A pre-existing relationship between the entity as acquirer and acquiree may be contractual or non-contractual.

Accounting Policies

1.3 Transfer of functions between entities not under common control (continued)

If the transfer of functions in effect settles a pre-existing relationship, the entity as acquirer recognises a gain or loss, measured as follows:
(a) for a pre-existing non-contractual relationship, fair value.
(b) for a pre-existing contractual relationship, the lesser of (i) and (ii):
(i) the amount by which the binding arrangement is favourable or unfavourable from the perspective of the entity as acquirer when compared with terms for current market transactions for the same or similar items.
(ii) the amount of any stated settlement provisions in the binding arrangement available to the counterparty to whom the contract is unfavourable.
If (ii) is less than (i), the difference is included as part of the transfer of functions accounting. The amount of gain or loss recognised may depend in part on whether the entity as acquirer had previously recognised a related asset or liability, and the reported gain or loss therefore may differ from the amount calculated by applying the above requirements.

A pre-existing relationship may be a contract that the entity as acquirer recognises as a reacquired right. If the binding arrangement includes terms that are favourable or unfavourable when compared with pricing for current market transactions for the same or similar items, the entity as acquirer recognises, separately from the transfer of functions, a gain or loss for the effective settlement of the contract.

Acquisition-related costs:

Acquisition-related costs are costs the entity as acquirer incurs to effect a transfer of functions. Those costs include advisory, legal, accounting, valuation and other professional or consulting fees, general administrative costs, and costs of registering and issuing debt and equity securities (if applicable). The entity as acquirer accounts for acquisition-related costs as expenses in the periods in which the costs are incurred and the services are received, with one exception. The costs to issue debt or equity securities (if applicable) are recognised in accordance with the Standard of GRAP on Financial instruments.

Subsequent measurement and accounting

In general, an entity as acquirer subsequently measures and accounts for assets acquired, liabilities assumed or incurred and the residual interest issued in a transfer of functions in accordance with other applicable Standards of GRAP for those items, depending on their nature.

Reacquired rights

A reacquired right recognised as an intangible asset is amortised over the remaining contractual period of the contract in which the right was granted. An entity as acquirer that subsequently sells a reacquired right to a third party includes the carrying amount of the intangible asset in determining the gain or loss on the sale.

Contingent liabilities

After initial recognition and until the liability is settled, cancelled or expires, the entity as acquirer measures a contingent liability recognised in a transfer of functions at the higher of:
(a) the amount that would be recognised in accordance with the Standard of GRAP on Provisions, Contingent liabilities and Contingent assets; and
(b) the amount initially recognised less, if appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from exchange transactions.

Indemnification assets

At the end of each subsequent reporting period, the entity as acquirer measures an indemnification asset that was recognised at the acquisition date on the same basis as the indemnified liability or asset, subject to any limitations as set in the binding arrangement on its amount and, for an indemnification asset that is not subsequently measured at its fair value, management's assessment of the collectability of the indemnification asset. The entity as acquirer derecognises the indemnification asset only when it collects the asset, sells it or otherwise loses the right to it.

Contingent consideration

Some changes in the fair value of contingent consideration that the entity as acquirer recognises after the acquisition date may be the result of additional information that the entity as acquirer obtained after that date about facts and circumstances that existed at the acquisition date. However, changes resulting from events after the acquisition date, such as meeting a performance target, or reaching a milestone on a research and development project, are not measurement period adjustments. The entity as acquirer accounts for changes in the fair value of contingent consideration that are not measurement period adjustments as follows:
(a) Contingent consideration classified as net assets shall not be remeasured and its subsequent settlement is accounted for within net assets.
(b) Contingent consideration classified as an asset or a liability that:
(i) is a financial instrument and is within the scope of the Standard of GRAP on Financial instruments is measured at fair value, with any resulting gain or loss recognised in surplus or deficit in accordance with that Standard of GRAP.
(ii) is not within the scope of the Standard of GRAP on Financial instruments is accounted for in accordance with the Standard of GRAP on Provisions, Contingent liabilities and Contingent assets or other Standards of GRAP as appropriate.

Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty

In preparing the consolidated annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the consolidated annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the consolidated annual financial statements. Significant judgements include:

Trade receivables, loans and other receivables

The entity assesses its trade receivables and loans and other receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the entity makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

Where the impairment for trade receivables and loans and other receivables is calculated on a portfolio basis, these are based on historical loss ratios. These annual loss ratios are applied to the balances in the portfolio. The impairment is measured as the difference between the receivables' carrying amount and the present value of the estimated future cash flows discounted at the effective interest rate, computed at initial recognition. The impairment loss is recognised in surplus of deficit when there is objective evidence that it is impaired.

Allowance for slow moving, damaged and obsolete stock

An allowance is made for slow moving, damaged an obsolete inventory to write this inventory down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the statement of financial performance.

Fair value estimation

The fair value of financial instruments traded in active markets such as trading securities is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the entity is the current bid price.

The fair value of investment property is determined on the basis of a valuation by an independent valuer who holds a recognised and relevant professional qualification and has recent experience in the location and category of the investment property being valued.

The fair value of items of land and buildings is determined from market-based evidence by appraisal. An appraisal of the value of the asset is undertaken by a member of the valuation profession, who holds a recognised and relevant professional qualification.

The fair value of a heritage asset is the price at which the heritage asset could be exchanged between knowledgeable, willing parties in an arm's length transaction. The fair value of a heritage asset is determined from market-based evidence determined by appraisal. An appraisal of the value of the asset is normally undertaken by a member of the valuation profession, who holds a recognised and relevant professional qualification.

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. The recoverable service amount of non-cash-generating assets have been determined on the higher of value-in-use calculations and fair value less cost to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of tangible assets.

The entity reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including production estimates, supply demand, together with economic factors such as as exchange rates, inflation rates and interest rates.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 24 - Provisions.

Provisions are measured using management's best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to the present value where the effect is material.

1.4 Significant judgements and sources of estimation uncertainty (continued)

Taxation

Judgement is required in determining the provision for income taxes due to the complexity of legislation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The entity recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

The entity recognises the net future tax benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires the entity to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the entity to realise the net deferred tax assets recorded at the end of the reporting period could be impacted.

Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting surplus nor taxable profit (tax loss).

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable surplus will be available against which the deductible temporary difference can be utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction at the time of the transaction, affects neither accounting surplus nor taxable profit (tax loss)

A deferred tax asset is recognised for the carry forward of unused tax losses to the extent that it is probable that future taxable surplus will be available against which the unused tax losses can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Tax expense

Current and deferred taxes are recognised as income or an expense and included in surplus or deficit for the period, except to the extent that the tax arises from:
- a transaction or event which is recognised, in the same or a different period, to net assets; or
- a business combination.

Current tax and deferred taxes are charged or credited to net assets if the tax relates to items that are credited or charged, in the same or a different period, to net assets.

Useful lives and residual values

The entity's management determines the estimated useful lives and related depreciation charges for assets as noted in accounting policy 1.6 - Property, plant and equipment. These estimates are based on industry norms.

Management will prospectively increase the depreciation charge where useful lives are less than previously estimated useful lives. Management will prospectively decrease the depreciation charge where useful lives are more than previously estimated useful lives.

Where changes are made to the estimated residual lives, management also makes these changes prospectively.

Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

Post retirement benefits

The present value of the post retirement benefit obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost or income include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The entity determines the appropriate discount rate at the end of reporting period. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the post retirement benefit obligations. In determining the appropriate discount rate, the entity considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related post retirement benefit obligations.

Other key assumptions for post retirement benefit obligations are based on current market conditions. Additional information is disclosed in note 25.

1.5 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the entity, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Cost is the amount of cash or cash equivalents or the fair value of the consideration given to acquire an asset at the time of its acquisition or construction. Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

Although unlikely, if the entity determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the entity determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the entity measures that investment property using the cost model in accordance with the accounting policy on Property, plant and equipment. The residual value of the investment property is then assumed to be zero. The entity applies the cost model in accordance with the accounting policy on Property, plant and equipment until disposal of the investment property.

Once the entity becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

Compensation from third parties for items of investment property that were impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

The entity discloses relevant information relating to assets under construction or development, in the notes to the consolidated annual financial statements (Refer to note 11).

1.5 Investment property (continued)

Derecognition

Items of investment property are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use or disposal of the asset.

The gain or loss arising from the derecognition of an item of investment property is included in surplus or deficit when the item is derecognised.

The gain or loss arising from the derecognition of an item of investment property is determined as the difference between the net disposal proceeds and the carrying amount of the asset.

1.6 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others (other than investment property), or for administrative purposes, and are expected to be used during more than one reporting period.

The cost of an item of property, plant and equipment is recognised as an asset when:
- it is probable that future economic benefits or service potential associated with the item will flow to the entity; and
- the cost or fair value of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Subsequent measurement

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except for land, buildings, water meter infrastructure, electrical infrastructure and zoo animals which are carried at a revalued amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Revaluations are made with sufficient regularity by registered valuators, such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

1.6 Property, plant and equipment (continued)

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation reserve. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation reserve to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The revaluation reserve included in net assets related to a specific item of property, plant and equipment is transferred directly to accumulated surplus or deficit when the asset is derecognised.

The revaluation reserve included in net assets related to a specific item of property, plant and equipment is transferred directly to accumulated surplus or deficit as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

Depreciation and impairment:

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

Land, except for landfill and quarry sites, is not depreciated as it has an indefinite useful life.

Depreciation of an asset begins when it is availabe for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately.

Subsequent to initial recognition, property, plant and equipment on the cost model is carried at cost less accumulated depreciation and any accumulated impairment losses. Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life (in years)
Buildings	Straight line	30-53
Other vehicles	Straight line	3-55
Fire arms	Straight line	5-40
Environmental facilities	Straight line	15
Roads and stormwater	Straight line	5-100
Equipment under finance lease	Straight line	3-5
Security	Straight line	8-12
Specialised plant and equipment	Straight line	3-55
Sewerage and mains	Straight line	40-100
Water and sewerage network	Straight line	7-100
Community / Recreational facilities	Straight line	6-100
Quarries	Straight line	20-30
Landfill sites	Straight line	20-69
Housing	Straight line	50
Electrical infrastructure	Straight line	3-50
Other assets	Straight line	3-35

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

The entity assesses at each reporting date whether there is any indication that the entity expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the entity revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

1.6 Property, plant and equipment (continued)

Derecognition

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use or disposal of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Property, plant and equipment which the entity holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

The entity discloses relevant information relating to assets under construction or development, in the notes to the annual financial statements (Refer to note 12).

1.7 Site restoration and dismantling cost

The entity has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

If the related asset is measured using the cost model:

(a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
(b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
(c) if the adjustment results in an addition to the cost of an asset, the entity considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

1.8 Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance.

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the entity; and
- the cost or fair value of the asset can be measured reliably.

The entity assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

Intangible assets are initially recognised at cost.

Subsequent measurement

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

1.8 Intangible assets (continued)

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period, the amortisation method and the residual value for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Amortisation begins when intangible assets are in the location and condition necessary for it to be capable of operating in the manner intended by management and ceases at the date that the asset is derecognised.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software	3-30 years
Servitudes	Indefinite

Derecognition

Intangible assets are derecognised:
- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. The gain or loss arising from the derecognition of an intangible assets is included in surplus or deficit when the asset is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

The entity discloses relevant information relating to assets under construction or development, in the notes to the annual financial statements (Refer to note 13).

1.9 Heritage assets

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Standards of GRAP.

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

Recognition

The entity recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the entity, and the cost or fair value of the asset can be measured reliably.

Initial measurement

Heritage assets are measured at cost.

Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

Subsequent measurement

After recognition as an asset, a class of heritage assets, whose fair value can be measured reliably, is carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent impairment losses. It is not expected that the fair values will differ significantly from year to year. Fair value assessments therefore will be done with sufficient regularity.

If a heritage asset's carrying amount is increased as a result of a revaluation, the increase is credited directly to a revaluation reserve. However, the increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same heritage asset previously recognised in surplus or deficit.

If a heritage asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in surplus or deficit. However, the decrease is debited directly to a revaluation reserve to the extent of any credit balance existing in the revaluation reserve in respect of that heritage asset.

1.9 Heritage assets (continued)

Impairment

The heritage assets of the entity shall not be depreciated, but the entity assess at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the entity estimates the recoverable amount or the recoverable service amount of the heritage asset.

Compensation from third parties for items of heritage assets property that were impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

Transfers

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset.

Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

For a transfer from investment property carried at fair value, or inventories to heritage assets at a revalued amount, any difference between the fair value of the asset at that date and its previous carrying amount shall be recognised in surplus or deficit.

Derecognition

The entity derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognitions of a heritage asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. The gain or loss arising from the derecognition of a heritage asset is included in surplus or deficit when the item is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

The entity discloses relevant information relating to assets under construction or development, in the notes to the annual financial statements (Refer to note 14).

1.10 Investments in controlled entities

Investments in controlled entities are carried at cost less any accumulated impairment.

The cost of an investment in a controlled entity is the aggregate of:

- the fair value, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the entity; plus
- any costs directly attributable to the purchase of the controlled entity.

1.11 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

1.11 Financial instruments (continued)

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:
- cash;
- a residual interest of another entity; or
- a contractual right to:
  - receive cash or another financial asset from another entity; or
  - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial liability is any liability that is a contractual obligation to:
- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:
- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:
- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:
- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

1.11 Financial instruments (continued)

Classification

The entity classifies financial assets and financial liabilities into the following catergories which are reflected on the face of the statement of financial position or in the notes thereto:
- Financial instruments measured at fair value
- Financial instruments measured at amortised cost
- Financial instruments measured at cost

Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value, plus in the case of a financial asset or financial liability not subsequently measured at fair value, transaction costs are directly attributable to the acquisition or issue of the financial asset or financial liability.

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:
- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, an entity calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

Reclassification

The entity does not reclassify a financial instrument while it is issued or held unless it is:
- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

Where the entity cannot reliably measure the fair value of an embedded derivative that has been separated from a host contract that is a financial instrument at a subsequent reporting date, it measures the combined instrument at fair value. This requires a reclassification of the instrument from amortised cost or cost to fair value.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the entity reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the entity reclassifies the instrument from cost to fair value.

1.11 Financial instruments (continued)

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets

The entity assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

The entity assess financial assets individually, when assets are individually significant, and individually or collectively for financial assets that are not individually significant. Where no objective evidence of impairment exists for an individually assessed asset (whether individually significant or not), an entity includes the assets in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised, are not included in the collective assessment of impairment.

For collective assessments of impairment, assets with similar credit risk characteristics are grouped together. The credit risk characteristics are indicative of the debtors' ability to pay all amounts due according to the contractual terms.

In making this assessment management may consider the following indicators as guidance for possible impairment:

- Significant financial difficulty experienced by the borrower/debtor;
- Delays in payments (including interest payments) or failure to pay/defaults;
- For economic or legal reasons, allowing disadvantaged customers who are experiencing financial difficulties to pay as and when they can. The entity would not otherwise have considered this concession. For example, allowing disadvantaged customers to pay their account when they can due to the fact that the water it supplies to the customer is a basic human right;
- It is probable that the borrower/debtor will enter sequestration (bankruptcy) or other financial reorganisation;
- The disappearance of an active market for the financial asset because of financial difficulties
- Observable data, for example historical data, indicating that there is a decrease in the estimated future cash flows that will received (which can be measured reliably), from a group of financial assets (financial assets with similar credit risk characteristics grouped together) since the initial recognition of those assets. The decrease may not yet be identified for the individual financial assets in the group. These can include:
  - the payment status of borrowers/debtors in the group has deteriorated (e.g. an increased number of delayed payments); or
  - National or local economic conditions that are in line with non-payments in the group (e.g. an increase in the unemployment rate in the geographical area of the borrowers/debtors, or adverse changes in market conditions that affect the borrowers/debtors in the group)
- Accounts in arrears for a period longer that the initial estimated repayment period;
- Accounts with arrears of over 90 days showing no repayments in the last financial year;
- Accounts handed over for collection;
- Any negative changes in the ability of debtors and borrowers to repay the amounts due to the entity (e.g. an increased number of late payments);
- A breach in contract, such as a default in interest or capital payments.

Management need not utilize all the indicators given above as guidance but only use the indicators to which management has sufficient information to make the assessment for possible or actual impairment.

Refer to notes 4, 5, 6 and 7 for the impact of the above application.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly or through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly or by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost:

Accounting Policies

1.11 Financial instruments (continued)

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:
- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity :
  - derecognise the asset; and
  - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

If the entity transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognise either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity continue to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the entity recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

1.11 Financial instruments (continued)

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity does not offset the transferred asset and the associated liability.

1.12 Tax

VAT

The entity accounts for VAT on the accrual basis, and is liable for VAT on the payment basis. The entity is liable to account for VAT at the standard rate (14%) in terms of section 7(1)(a) of the Value Added Tax Act, (Act 89 of 1991) in respect of the supply of goods or services, except where the supplies are specifically zero-rated in terms of section 11 of the VAT Act, exempted in terms of section 12 of the VAT Act or are scoped out for VAT purposes. The entity accounts for VAT on a monthly basis.

Deferred tax assets and liabilities

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting surplus nor taxable profit (tax loss).

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable surplus will be available against which the deductible temporary difference can be utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction at the time of the transaction, affects neither accounting surplus nor taxable profit (tax loss).

A deferred tax asset is recognised for the carry forward of unused tax losses and unused STC credits to the extent that it is probable that future taxable surplus will be available against which the unused tax losses and unused STC credits can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Current tax and deferred tax are recognised in net assets if the tax relates to items that are credited or recognised, in the same or different period, to net assets.

Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to or recovered from the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

1.13 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an asset.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

1.13 Leases (continued)

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

1.14 Inventories

The entity recognises inventories as an asset when;
(a) it is probable that future economic benefits or service potential associate with the item will flow to the entity; and
(b) the cost of the inventory can be measured reliably.

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;
- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the entity incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the entity.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.15 Impairment of cash-generating assets

Cash-generating assets are assets managed with the primary objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation or amortisation.

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation or amortisation is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:
- (a) the period of time over which an asset is expected to be used by the entity; or
- (b) the number of production or similar units expected to be obtained from the asset by the entity.

Recognition and Measurement

When the carrying amount of a cash-generating asset exceeds its recoverable amount. it is impaired.

The entity assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the entity estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also tests a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the entity estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the entity applies the appropriate discount rate to those future cash flows.

Basis for estimates of future cash flows

In measuring value in use the entity:
- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of three years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

1.15 Impairment of cash-generating assets (continued)

Composition of estimates of future cash flows

Estimates of future cash flows include:
- projections of cash inflows from the continuing use of the asset;
- projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and
- net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life.

Estimates of future cash flows exclude:
- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that the entity expects to obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the entity recognises a liability only to the extent that is a requirement in the Standard of GRAP.

After the recognition of an impairment loss, the depreciation or amortisation charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

1.15 Impairment of cash-generating assets (continued)

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the entity determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the entity use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

Reversal of impairment loss

The entity assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation or amortisation charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

Accounting Policies

1.15 Impairment of cash-generating assets (continued)

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.16 Impairment of non-cash-generating assets

Cash-generating assets are assets managed with the primary objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation or amortisation.

A cash-generating unit is the smallest identifiable group of assets managed with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation or amortisation is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:
- (a) the period of time over which an asset is expected to be used by the entity; or
- (b) the number of production or similar units expected to be obtained from the asset by the entity.

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The entity assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the entity estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also tests a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

1.16 Impairment of non-cash-generating assets (continued)

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

When estimating the value in use of an asset, the entity estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the entity applies the appropriate discount rate to those future cash flows.

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the entity would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Restoration cost approach

Restoration cost is the cost of restoring the service potential of an asset to its pre-impaired level. The present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.

Service units approach

The present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform to the reduced number of service units expected from the asset in its impaired state. The current cost of replacing the remaining service potential of the asset before impairment is determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the entity recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation or amortisation charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

1.16 Impairment of non-cash-generating assets (continued)

Reversal of an impairment loss

The entity assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation or amortisation charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.17 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

Termination benefits are employee benefits payable as a result of either:
- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Vested employee benefits are employee benefits that are not conditional on future employment.

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:
- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:
- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measure the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

1.17 Employee benefits (continued)

The entity recognise the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the entity recognise actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting entity) that are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors (even in liquidation), and cannot be returned to the reporting entity, unless either:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or
- the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognise past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

The entity account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the entity's informal practices. Informal practices give rise to a constructive obligation where the entity has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the entity's informal practices would cause unacceptable damage to its relationship with employees.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The entity measure the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

Accounting Policies

1.17 Employee benefits (continued)

The entity determine the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the consolidated annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

The entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The entity uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an entity shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an entity shall attribute benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The entity recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the entity re-measure the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is [OR is not] presented as the net of the amount recognised for a reimbursement.

The entity offsets an asset relating to one plan against a liability relating to another plan when the entity has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

1.17 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:
- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
- those changes were enacted before the reporting date; or
- past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

Actuarial assumptions are included in note 25 - Employee benefit obligations.

Other post retirement obligations

The entity provides post-retirement health care benefits and post retirement gratuity benefits upon retirement to some retirees.

The entitlement to these post-retirement benefits are based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations.

1.18 Provisions and contingencies

Provisions are recognised when:
- the entity has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

Accounting Policies

1.18 Provisions and contingencies (continued)

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of a activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the entity

No obligation arises as a consequence of the sale or transfer of an operation until the entity is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 56.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The entity recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the entity for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the entity considers that an outflow of economic resources is probable, an entity recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

Accounting Policies

1.18 Provisions and contingencies (continued)

Decommissioning, restoration and similar liability

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:

If the related asset is measured using the cost model:
- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity test the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.15 and 1.16.

If the related asset is measured using the revaluation model:
- changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
  - a decrease in the liability is credited directly to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit; and
  - an increase in the liability is recognised in surplus or deficit, except that it is debited directly to revaluation surplus in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that asset;
- in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit;
- a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit and net assets. If a revaluation is necessary, all assets of that class is revalued; and
- the Standard of GRAP on Presentation of Financial Statements requires disclosure on the face of the statement of changes in net assets of each item of revenue or expense that is recognised directly in net assets. In complying with this requirement, the change in the revaluation surplus arising from a change in the liability is separately identified and disclosed as such.

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit as they occur. This applies under both the cost model and the revaluation model.

The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

1.19 Internal reserves

Other non-distributable reserve (NDR)

The municipal entity has a non-distributable reserve held in accordance with the requirements of the agreement between the municipal entity and the National Energy Regulator of South Africa (NERSA).

Self insurance reserve

The entity has a Self Insurance Reserve to set aside amounts to offset potential losses or claims, which are not insured externally. The balance of the Self Insurance Reserve is determined based on the insurance risk carried by the entity, which is calculated by the entity's insurance broker and is reinstated or increased by a transfer from or to the accumulated surplus or deficit.

Claims are settled by transferring a corresponding amount from the Self Insurance Reserve to the accumulated surplus or deficit.

1.19 Internal reserves (continued)

Compensation for occupational injuries and diseases (COID) reserve

The Compensation for Occupational Injuries and Diseases Act (Act 130 of 1993) is to provide for payment of medical treatment and compensation for disablement caused by occupational injuries or diseases sustained or contracted by employees in the course of their employment, or for death resulting from such injuries or diseases. The contribution to the COID fund is determined by the Compensation Commissioner. The entity, excluding its municipal entity, is an exempt employer in terms of Section 84 (1) (a)(ii) & (2) and as such does not pay any assessments to the COID Commissioner. In terms of the exempt status the entity is mandated to establish its own fund and administers this fund in terms of the COID Act.

Amounts are transferred to the COID reserve from the accumulated surplus or deficit based on the amounts as approved in the annual budget and determined by the Compensation Commissioner as well as additional amounts deemed necessary to ensure that the balance of the reserve is adequate to offset potential claims.

Claims are paid as determined by the Compensation Commissioner. Claims are settled by transferring a corresponding amount from the COID reserve to the accumulated surplus or deficit.

1.20 Revaluation reserve

The surplus arising from the revaluation of land, buildings and zoo animals that are carried at revalued amounts, are credited to a non-distributable reserve. The revaluation surplus is realised as revalued buildings are depreciated, through a transfer from the revaluation reserve to the accumulated surplus/deficit. On disposal, the net revaluation surplus is transferred to the accumulated surplus/deficit while gains or losses on disposal, based on revalued amounts, are credited or charged to the statement of financial performance.

Any impairment loss of a revalued asset shall be treated as a revaluation decrease. To the extent that the impairment loss exceeds the revaluation surplus for the same asset, the impairment loss is recognised in the accumulated surplus/(deficit).

1.21 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Revenue from exchange transactions consists primarily of services charges, rentals, interest received and other services rendered.

When considering the probability of the future economic benefits that will flow to the entity, consideration is given to the requirements as outlined in IGRAP 1.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the entity has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

1.21 Revenue from exchange transactions (continued)

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

Rendering of services consist out of solid waste, sanitation, sewerage, water services and electricity services.

Service charges relating to distribution of electricity are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption, based on the consumption history, are made on a monthly basis when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without it being invoiced. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is raised based on the average monthly consumption. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters are read. These adjustments are recognised as revenue in the invoicing period. Estimates of consumption between meter readings are based on historical information.

Interest

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity, and
- the amount of the revenue can be measured reliably.

Rental income

Leases revenue from operating leases shall be recognised as revenue on a straight-line basis over the lease term in accordance with the accounting policy on Leases.

Revenue arising from the use by others of entity assets yielding rental income is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity; and
- the amount of the revenue can be measured reliably.

Pre-paid electricity

Prepaid electricity revenue is recognised at the point of sale. Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates. Pre-paid electricity sales are reconciled on a monthly basis and the sum of the monthly sales provides the total sales for the year. The financial year is divided in two seasons based on the application of tariffs with the seasons being summer (1 September – 31 May) and winter (1 June to 31 August). The deferred portion of revenue is accounted for by an adjustment for units not consumed at year end. This adjustment is based on the average consumption history, multiplied by the weighted average cost of units sold in June. Average consumption in units is determined per active prepaid meter using a trend analysis of historical consumer purchase data per meter for the months of May, June and July.The deferred portion of revenue is the amount by which the actual prepaid electricity sold for the month of June exceeds the average consumption calculated.

1.22 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an entity, which represents an increase in net assets, other than increases relating to contributions from owners.

Revenue from non-exchange transactions consists primarily of grants from National - and Provincial Government, Property rates and Fines revenue.

Control of an asset arise when the entity can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

1.22 Revenue from non-exchange transactions (continued)

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an entity either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting entity.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the entity satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

When considering the probability of the future economic benefits that will flow to the entity, consideration is given to the requirements as outlined in IGRAP 1.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the entity.

When, as a result of a non-exchange transaction, the entity recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Taxes

The entity recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

Resources arising from taxes satisfy the definition of an asset when the entity controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources. Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured. The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.

The entity analyses the taxation laws to determine what the taxable events are for the various taxes levied.

The taxable event for property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.

Taxation revenue is determined at a gross amount. It is not reduced for expenses paid through the tax system.

1.22 Revenue from non-exchange transactions (continued)

Transfers

Apart from Services in-kind, which are not recognised, the entity recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

The entity recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

Debt forgiveness and assumption of liabilities

The entity recognise revenue in respect of debt forgiveness when the former debt no longer meets the definition of a liability or satisfies the criteria for recognition as a liability, provided that the debt forgiveness does not satisfy the definition of a contribution from owners.

Revenue arising from debt forgiveness is measured at the carrying amount of debt forgiven.

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the entity.

Where the entity collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

Bequests

Bequests that satisfy the definition of an asset are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the entity, and the fair value of the assets can be measured reliably.

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the entity and the fair value of the assets can be measured reliably.

Services in-kind

Services in-kind are not recognised.

Concessionary loans received

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

The portion of the loan that is repayable, along with any interest payments, is an exchange transaction and is accounted for in accordance with the Standard of GRAP on Financial Instruments. The off-market portion of the loan is a non-exchange transaction. The off-market portion of the loan that is recognised as non-exchange revenue is calculated as the difference between the proceeds received from the loan, and the present value of the contractual cash flows of the loan, discounted using a market related rate of interest.

The recognition of revenue is determined by the nature of any conditions that exist in the loan agreement that may give rise to a liability. Where a liability exists the cash flow statement recognises revenue as and when it satisfies the conditions of the loan agreement.

Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the entity has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

1.23 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

Accounting Policies

1.24 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.25 Commitments

Where the entity has a contractual commitment in respect of the acquisition of property, plant and equipment, these are disclosed in note 55.

The commitments as disclosed are the contractual amount less any payments made in respect of the contract.

1.26 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

The comparative figures have been restated.

1.27 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

Detailed disclosures are made in note 66 to the annual financial statements as required by the Municipal Finance Management Act, (Act No. 56 of 2003).

1.28 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

Detailed disclosures are made in note 67 to the annual financial statements as required by the Municipal Finance Management Act, (Act No. 56 of 2003).

1.29 Irregular expenditure

Irregular expenditure as defined in section 1 of the Municipal Finance Management Act, (Act No. 56 of 2003) is expenditure incurred by a municipality or municipal entity that is not in accordance with or in contravention of:

a) the MFMA, and which has not been condoned in terms of section 170;
b) the Municipal Systems Act, (Act 32 of 2000) and which has not been condoned in terms of that act;
c) the Public Office-Bearers Act, (Act No.20 of 1998)
d) the requirements of a supply chain management policy of the municipality or municipal entity or in accordance with the municipality's by-laws giving effect to such policy and which has not been condoned in terms of such policy or by-law.

Irregular expenditure excludes unauthorised expenditure.

Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

Detailed disclosures are made in note 68 to the annual financial statements as required by the Municipal Finance Management Act, (Act No. 56 of 2003).

1.30 Segment information

Segmental information on property, plant and equipment, as well as income and expenditure is based on the International Government Financial Statistics classifications and the budget formats prescribed by National Treasury. The entity operates solely in its area of jurisdiction as determined by the Demarcation Board.

Segment information is prepared in conformity with the accounting policies applied for preparing and presenting the annual financial statements. GRAP 18 has not been considered in developing these policies.

1.31 Budget information

The entity is typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by the entity shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on an accrual basis and presented by nature classification. The approved budget and the annual financial statements are not prepared on the same classification basis.

The approved budget covers the fiscal period from 1 July 2016 to 30 June 2017.

The annual budget figures included in the annual financial statements are for the entity and do not include budget information relating to subsidiaries. The separate budget for the entity has been recompiled for the presentation in the annual financial statements. The recompilation does not constitute changes or revisions of the consolidated budget as approved by the Council.

The Statement of comparative and actual information has been included in the annual financial statements as the recommended disclosure when the annual financial statements and the budget are on the same basis of accounting as determined by National Treasury. Explanatory comments to material differences are provided in note 73 to the annual financial statements.

1.32 Related parties

The entity operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the local sphere of government are considered to be related parties

Key management are those persons responsible for planning, directing and controlling the activities of the entity, including those charged with the governance of the entity in accordance with legislation, in instances where they are required to perform such functions.

The entity regards all individuals from the level of Accounting Officer and Council members, as well as managers and directors reporting directly to the accounting officer, as key management as per the definition of the financial reporting standard.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the entity.

Related party disclosures for transactions between government entities that took place on terms and conditions that are considered to be at arms length and in the ordinary course of business are not disclosed in accordance with IPSAS 20 Related Party Disclosure.

1.33 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the annual financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The entity will adjust the amount recognised in the annual financial statements to reflect adjusting events after the reporting date once the event occurred.

The entity will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the annual financial statements.

Accounting Policies

1.34 Housing development arrangements

The entity grants the right to use properties to third parties by means of contractual agreements. These agreements are classified into two categories, namely the FRESHCO Agreement and the Land Availability Agreements.

The following properties, owned by the entity, are used by third parties to provide public services subject to the entity's control of the asset.
Brandwag Property;
Hillside View Property;
Vista Park Extension 2 Property; and
Vista Park Extension 3 Property.

These agreements are binding arrangements between the entity and the third party in which:
- The third party uses the specified asset to provide a public service on behalf of the entity for a specified period of time; and
- The third party is compensated for its services over the period of the arrangement, and/or upon completion of conditions specified within the contract, and/or upon the completion of the project.

The Properties are assets used to provide public services, in an arrangement, that:
- Are provided by the entity which:
- Are existing assets of the entity; or
- Are upgrade to existing assets of the entity; or
- Are provided by the third party which:
- Are existing assets of the third party; or
- Are constructed, developed, or acquired from a third party.

The entity shall recognize an asset provided by the third party and/or an upgrade to an existing asset of the entity if:
- The entity controls or regulates what services the third party must provide with the asset, to whom it must provide them, and at what price; and
- The entity controls – through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the term of the arrangement.

The entity shall initially measure the assets recognised at fair value.

The assets received shall subsequently be accounted for in accordance with the GRAP Standard applicable to the classification of the asset received. Including but not limited to GRAP 16 – Investment Property; GRAP 17 - Property, Plant, and Equipment; and GRAP 12 – Inventory.

Where the entity recognises an asset, the entity shall also recognise a liability.

The liability recognised shall be initially measured at the same amount as the asset, adjusted by the amount of any other consideration (e.g.cash) from the entity to the third party, or from the third party to the entity.

Where the entity does not have an unconditional obligation to pay cash or another financial asset to the third party for the construction, development, acquisition, or upgrade of the property, and grants the third party the right to earn revenue from other third-party users or another revenue-generating asset, the entity shall account for the liability recognised as the unearned portion of the revenue arising from the exchange of assets between the entity and the third party.

The entity shall recognize revenue and reduce the liability recognised according to the economic substance of the arrangement.

The entity shall account for the revenues from the third party in accordance with GRAP 9 - Revenue from Exchange Transactions.

1.35 Advance receipts

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

In a non-exchange transaction, an entity either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

All receipts received in advance are classified as non-exchange transactions as no approximate equal value is exchanged between the parties.

Refer to note 18 Payables from non-exchange transactions where these receipts in advance are disclosed.

1.36 Offsetting

Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

Notes to the Consolidated Annual Financial Statements

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the entity has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 17 (as amended 2015): Property, Plant and Equipment	01 April 2016	The most significant change relates to the additional disclosures regarding capital work in progress as well as repairs and maintenance.
• GRAP 16 (as amended 2015): Investment Property	01 April 2016	The change in the standard does not have a material impact on the annual financial statements.

2.2 Standards and interpretations issued, but not yet effective

The entity has not applied the following standards and interpretations, which have been published and are mandatory for the entity's accounting periods beginning on or after 01 July 2017 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 34: Separate Financial Statements	No date has been determined	It is unlikely there will be a material impact on the entity
• GRAP 35: Consolidated Financial Statements	No date has been determined	It is unlikely there will be a material impact on the entity
• GRAP 36: Investments in Associates and Joint Ventures	No date has been determined	It is unlikely there will be a material impact on the entity
• GRAP 37: Joint Arrangements	No date has been determined	It is unlikely there will be a material impact on the entity
• GRAP 38: Disclosure of Interests in Other Entities	No date has been determined	It is unlikely there will be a material impact on the entity
• GRAP 110: Living and Non-living Resources	No date has been determined	The standard will provide guidance on the measurement, recognition and disclosure of living and non-living resources
• IGRAP 18: Recognition and derecognition of land	01 April 2019	It is unlikely there will be a material impact on the entity
• GRAP 20: Related parties	No date has been determined	The main impact is expected to affect the disclosure of a more disaggregated councillor remuneration
• GRAP 26 (as amended 2015): Impairment of cash-generating assets	01 April 2017	Unlikely there will be a material impact
• GRAP 109: Accounting by Principals and Agents	No date has been determined	Unlikely there will be a material impact
• GRAP 21 (as amended 2015): Impairment of non-cash-generating assets	01 April 2017	Unlikely there will be a material impact
• GRAP 18: Segment Reporting	No date has been determined for municipalities or municipal entities	Unlikely there will be a material impact. Municipalities and municipal entities are not required to apply or early adopt GRAP 18 as the Minister of Finance has not yet determined the effective date for application by these entities.
• GRAP 108: Statutory Receivables	No date has been determined	Unlikely there will be a material impact
• GRAP 32: Service Concession Arrangements: Grantor	No date has been determined	Unlikely there will be a material impact
• IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset	No date has been determined	Unlikely there will be a material impact

Notes to the Consolidated Annual Financial Statements

Figures in Rand	2017	2016

3. Inventories

Consumable stores	9,000,177	9,467,720
Fuel (Diesel, Petrol)	879,647	375,918
Maintenance materials	1,311,499	1,343,546
Raw materials, components	74,254,691	87,739,099
Unsold Properties Held for Resale	376,734,716	337,613,280
Water in pipes and reservoirs	3,571,537	2,366,673
	465,752,267	**438,906,236**

Water inventory in pipes and reservoirs has been combined due to the implementation of the mSCOA structure which does not provide for separate water inventory between pipes and reservoirs.

Inventory recognised as an expense

Inventories recognised as an expense during the year	98,160,226	78,583,966
Inventory written off	1,721,191	2,791,245
	99,881,417	**81,375,211**

Inventory pledged as security

No inventory was pledged as security for any financial liability.

4. Other receivables from non-exchange transactions

Fines Receivables	225,360,563	192,120,152
Impairment of Fines Receivables	(225,360,563)	(187,666,060)
	-	**4,454,092**

Fines Receivables consist out of debtors raised from Fines Revenue as disclosed in note 32.

Other receivables from non-exchange pledged as security

None of the other receivables from non-exchange transactions were pledged as security for any financial liability.

Credit quality of other receivables from non-exchange transactions

The credit quality of other receivables from non-exchange transactions that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

None of the financial assets that are fully performing have been renegotiated in the last year.

The entity does not hold any collateral as security.

Other receivables from non-exchange transactions impaired

As of 30 June 2017, other receivables from non-exchange transactions of R 225,360,563 (2016: R 187,666,060) were impaired and provided for.

The amount of the provision was R 225,360,563 as of 30 June 2017 (2016: R 187,666,060).

No amounts for other receivables from non-exchange transactions were past due but not impaired.

Reconciliation of provision for impairment of other receivables from non-exchange transactions

Opening balance	187,666,060	147,297,357
Provision for impairment adjustment	37,694,503	40,368,703
	225,360,563	**187,666,060**

5. Other receivables from exchange transactions

Deposits	909,087	824,195
DOE Grant Southern Free State towns	4,737,728	5,066,942
Interest on Investments	44,362	18,873
Kopanong Local Municipality	16,115,484	11,679,112
Mohokare Local Municipality	31,068,753	23,570,114
Naledi Local Municipality*	-	18,211,738
Prepaid expenses	-	540,543
Receipt reversal	540,225	407,504
Staff leave days receivable	2,113,636	1,754,701
Vendors	2,452,698	3,886,687
Sundry debtors	60,694,298	46,451,556
Sundry debtors - Impairment	(27,616,015)	(15,113,779)
	91,060,256	**97,298,186**

Other receivables from exchange transactions pledged as security

None of the other receivables from exchange transactions were pledged as security for any financial liability.

Credit quality of other receivables from exchange transactions

The credit quality of other receivables from exchange transactions that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

None of the other receivables from exchange transactions that are fully performing have been renegotiated in the last year.

Other receivables from exchange transactions past due but not impaired

Other receivables from exchange transactions which are less than 3 months past due are not considered to be impaired. At 30 June 2017, R 2,019,786 (2016: R 870,679) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

1 month past due	2,019,786	870,679

Other receivables from exchange transactions impaired

As of 30 June 2017, other receivables from exchange transactions of R 27,616,015 (2016: R 15,113,779) were impaired and provided for.

The amount of the provision was R 27,616,015 as of 30 June 2017 (2016: R 15,113,779).

The ageing of these other receivables from exchange transactions is as follows:

Over 3 months	27,616,015	15,113,779

Reconciliation of provision for impairment of other receivables from exchange transactions

Opening balance	15,113,778	14,255,929
Provision for impairment adjustment	12,502,237	857,849
	27,616,015	**15,113,778**

During the prior year the balance of the provision for impairment reconciliation were incorrectly stated. The effect of the restatement is as follows:

Balance as previously stated	R 15,104,882
Restated balance	R 15,113,778

* The balance relates to a pre-existing relationship between the entity and the former Naledi Local Municipality. This balance has been eliminated through the transfer of function transaction. Refer to note 40 for further details.

Sundry debtors consist of debtors raised from other income from exchange transactions recognised (refer to note 35).

Due to the limitations on the financial system it is impractical to disclose the impaired interest on other receivables from exchange transactions.

Figures in Rand	2017	2016

6. Consumer receivables from non-exchange transactions

Rates - Gross balance	889,227,114	837,068,534
Rates - Impairment	(564,138,416)	(574,649,153)
	325,088,698	**262,419,381**

Rates ageing		
Current (0 - 30 days)	64,940,400	61,791,904
31 - 60 days	37,801,793	36,556,563
61 - 90 days	31,905,347	30,863,664
91+ days	754,579,574	707,856,403
Gross balance	889,227,114	837,068,534
Less: Impairment	(564,138,416)	(574,649,153)
	325,088,698	**262,419,381**

Summary by customer classification

Residential & Sundry		
Current (0 - 30 days)	25,875,355	24,517,658
31 - 60 days	16,681,608	14,547,925
61 - 90 days	14,479,417	12,585,008
91+ days	367,663,431	357,515,168
Gross balance	424,699,811	409,165,759
Less: Allowance for impairment	(353,308,893)	(342,877,650)
	71,390,918	**66,288,109**

Business / Commercial		
Current (0 - 30 days)	27,304,791	24,444,997
31 - 60 days	12,060,052	11,868,048
61 - 90 days	9,050,843	9,556,792
91+ days	229,720,112	249,262,096
Gross balance	278,135,798	295,131,933
Less: Allowance for impairment	(210,829,523)	(231,771,503)
	67,306,275	**63,360,430**

Government		
Current (0 - 30 days)	11,760,254	12,829,250
31 - 60 days	9,060,134	10,140,591
61 - 90 days	8,375,087	8,721,864
91+ days	157,196,030	101,079,138
	186,391,505	**132,770,843**

Consumer receivables from non-exchange transactions pledged as security

None of the consumer receivables from non-exchange transactions were pledged as security for any financial liability.

Credit quality of consumer receivables from non-exchange transactions

The credit quality of consumer receivables from non-exchange transactions that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

Consumer receivables from non-exchange transactions are only due after 30 days. Interest shall be paid on accounts which have not been paid within 30 days from the date on which the account became due, at a rate of 1% higher than the prime rate for the period.

The credit quality of consumer receivables from non-exchange transactions was evaluated in terms of the risk group and aging of the individual receivable account.

6. Consumer receivables from non-exchange transactions (continued)

Consumer receivables from non-exchange transactions past due but not impaired

Consumer receivables from non-exchange transactions which are less than 3 months past due are not considered to be impaired. At 30 June 2017, R 69,707,140 (2016: R 67,420,227) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

	2017	2016
1 month past due	37,801,793	36,556,563
2 months past due	31,905,347	30,863,664

Consumer receivables from non-exchange transactions impaired

As of 30 June 2017, consumer receivables from non-exchange transactions of R 564,138,416 (2016: R 574,649,153) were impaired and provided for.

The ageing of these consumer receivables from non-exchange transactions is as follows:

	2017	2016
Over 3 months	564,138,416	574,649,153

Reconciliation of provision for impairment of consumer receivables from non-exchange transactions

	2017	2016
Opening balance	574,649,153	553,036,918
Provision for impairment adjustment	(10,510,737)	21,612,235
	564,138,416	**574,649,153**

Due to the limitations on the financial system, it is impractical to disclose the impaired interest on consumer receivables from non-exchange transactions.

7. Consumer receivables from exchange transactions

Net balance	2017	2016
Electricity	569,159,076	463,928,766
Water	474,074,021	324,862,803
Sewerage	115,631,893	96,918,729
Refuse	27,503,580	27,179,292
Housing rental	2,218,559	1,728,745
Unallocated deposits	220,252	220,252
	1,188,807,381	**914,838,587**

Net balance reconciliation - 2017	Gross balance	Impairment	Net balance
Electricity	787,174,676	(218,015,600)	569,159,076
Water	1,618,770,582	(1,144,696,561)	474,074,021
Sewerage	360,112,474	(244,480,581)	115,631,893
Refuse	165,462,456	(137,958,876)	27,503,580
Housing rental	17,486,018	(15,267,459)	2,218,559
Unallocated deposits	220,252	-	220,252
	2,949,226,458	**(1,760,419,077)**	**1,188,807,381**

Net balance reconciliation - 2016	Gross balance	Impairment	Net balance
Electricity	697,880,219	(233,951,453)	463,928,766
Water	1,495,444,326	(1,170,581,523)	324,862,803
Sewerage	337,876,855	(240,958,126)	96,918,729
Refuse	142,652,630	(115,473,338)	27,179,292
Housing rental	12,731,742	(11,002,997)	1,728,745
Unallocated deposits	220,252	-	220,252
	2,686,806,024	**(1,771,967,437)**	**914,838,587**

Notes to the Consolidated Annual Financial Statements

Figures in Rand	2017	2016

7. Consumer receivables from exchange transactions (continued)

Electricity		
Current (0 -30 days)	115,933,382	166,428,829
31 - 60 days	51,666,970	55,629,462
61 - 90 days	18,936,517	14,812,381
91+ days	435,916,840	305,227,674
Meter reading estimate - Electricity	165,282,557	156,266,248
Accrual prepaid sales	-	(39,983)
Discounting	(246,359)	(101,301)
Transferred to non-current receivables	(315,231)	(343,091)
Gross balance	787,174,676	697,880,219
Less: Impairment	(218,015,600)	(233,951,453)
	569,159,076	**463,928,766**

Water		
Current (0 -30 days)	87,890,702	73,664,620
31 - 60 days	93,278,406	57,009,360
61 - 90 days	84,138,644	52,134,656
91+ days	1,336,047,092	1,294,110,827
Meter reading estimate - Water	17,415,738	18,524,863
Gross balance	1,618,770,582	1,495,444,326
Less: Impairment	(1,144,696,561)	(1,170,581,523)
	474,074,021	**324,862,803**

Sewerage		
Current (0 -30 days)	20,610,786	21,302,937
31 - 60 days	14,340,649	13,379,750
61 - 90 days	12,364,750	11,021,450
91+ days	312,796,289	292,172,718
Gross balance	360,112,474	337,876,855
Less: Impairment	(244,480,581)	(240,958,126)
	115,631,893	**96,918,729**

Refuse		
Current (0 -30 days)	7,495,380	7,068,831
31 - 60 days	5,361,613	4,652,991
61 - 90 days	4,671,747	4,076,739
91+ days	147,933,716	126,854,069
Gross balance	165,462,456	142,652,630
Less: Impairment	(137,958,876)	(115,473,338)
	27,503,580	**27,179,292**

Housing rental		
Current (0 -30 days)	373,327	363,760
31 - 60 days	511,718	448,069
61 - 90 days	503,215	421,973
91+ days	16,097,758	11,497,940
Gross balance	17,486,018	12,731,742
Less: Impairment	(15,267,459)	(11,002,997)
	2,218,559	**1,728,745**

Unallocated deposits		
91+ days	220,252	220,252

Figures in Rand	2017	2016

7. Consumer receivables from exchange transactions (continued)

Summary of debtors by customer classification

	2017	2016
Residential and sundry		
Current (0 -30 days)	86,642,060	87,222,903
31 - 60 days	76,455,140	61,782,494
61 - 90 days	80,216,638	55,056,744
91+ days	1,521,202,020	1,574,526,958
Meter reading estimate - Water	17,415,738	18,524,863
Meter reading estimate - Electricity	165,282,557	156,266,248
Unallocated deposits	220,252	220,252
Accrual prepaid sales	-	(39,983)
Discounting	(246,359)	(101,301)
Transferred to non-current receivables	(315,231)	(343,091)
	1,946,872,815	1,953,116,087
Less: Allowance for impairment	(1,507,112,695)	(1,538,179,931)
	439,760,120	**414,936,156**
Business / commercial		
Current (0 -30 days)	115,676,764	154,125,554
31 - 60 days	54,000,875	44,654,993
61 - 90 days	20,152,833	19,784,531
91+ days	411,124,629	317,610,218
	600,955,101	536,175,296
Less: Allowance for impairment	(253,306,382)	(233,787,505)
	347,648,719	**302,387,791**
Government		
Current (0 -30 days)	29,984,753	27,480,519
31 - 60 days	34,703,342	24,682,146
61 - 90 days	20,245,402	7,625,924
91+ days	316,465,046	137,726,053
	401,398,543	**197,514,642**
Total		
Current (0 -30 days)	232,303,577	268,828,976
31 - 60 days	165,159,357	131,119,633
61 - 90 days	120,614,873	82,467,199
91+ days	2,248,791,695	2,029,863,229
Meter reading estimate - Water	17,415,738	18,524,863
Meter reading estimate - Electricity	165,282,557	156,266,248
Unallocated deposits	220,252	220,252
Accrual - Prepaid sales	-	(39,983)
Discounting	(246,360)	(101,302)
Transferred to non-current receivables	(315,231)	(343,091)
	2,949,788,049	2,687,290,400
Less: Allowance for impairment	(1,760,419,077)	(1,771,967,437)
	1,188,807,381	**914,838,587**

Consumer receivables from exchange transactions pledged as security

None of the consumer receivables from exchange transactions have been pledged as security for any financial liabilities.

7. Consumer receivables from exchange transactions (continued)

Credit quality of consumer receivables from exchange transactions

The credit quality of consumer receivables from exchange transactions that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

Consumer receivables from exchange transactions are only due after 30 days. Interest shall be paid on accounts which have not been paid within 30 days from the date on which the account became due, at a rate of 1% higher than the prime rate for the period.

None of the consumer receivables from exchange transactions that are fully performing have been renegotiated in the last year.

Consumer receivables from exchange transactions past due but not impaired

Consumer receivables from exchange transactions which are less than 3 months past due are not considered to be impaired At 30 June 2017, R 507,168,500 (2016: R 260,897,207) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

1 month past due	162,173,955	114,544,761
2 months past due	117,513,077	66,696,384
3 months past due	227,481,468	79,656,062

Consumer receivables from exchange transactions impaired

As of 30 June 2017, consumer receivables from exchange transactions of R 1,760,419,077 (2016: R 1,771,967,437) were impaired and provided for.

The ageing of these loans is as follows:

Current	3,575,182	20,371,949
31 - 60 days	2,985,402	11,974,330
61 - 90 days	3,101,796	11,937,601
91+ days	1,750,756,697	1,727,683,557
Total	1,760,419,077	1,771,967,437

Reconciliation of allowance for impairment of consumer receivables from exchange transactions

Opening balance	1,771,967,437	1,715,888,800
Allowance for impairment adjustment	(11,548,360)	56,078,637
	1,760,419,077	**1,771,967,437**

Due to the limitations on the financial system it is impractical to disclose the impaired interest on the consumer receivables from exchange transactions.

8. VAT receivable

VAT	7,693,908	51,078,611

VAT is payable on the payment basis. VAT is paid over to the South African Revenue Services (SARS) only once payment is received from debtors.

Comparative information has been restated due to correction of prior period errors and omissions.

Disclosure in terms of the MFMA

Opening balance	51,078,611	153,575,810
VAT payable	(72,221,739)	(109,223,049)
VAT Claimed not yet received	28,837,036	6,725,850
	7,693,908	**51,078,611**

Notes to the Consolidated Annual Financial Statements

Figures in Rand		2017	2016

9. Investments

	2017	2016
Bank investments		
ABSA	162,721,621	107,818,543

The investments are short-term fixed deposits for a period of 365 days which earn interest between 7.96% and 9.0%.

Fair value of the investments approximates the carrying value at year-end.

10. Cash and cash equivalents

Cash and cash equivalents consist of:

	2017	2016
Cash on hand	139,049	133,049
Bank balances	117,588,935	307,391,657
Short-term deposits	114,046,497	18,154,671
	231,774,481	**325,679,377**

An unlimited surety is provided by Free State Provincial Government, National Treasury and the Development Bank of South Africa.

The total of the overdraft facility available to the entity is R50,000,000 (2016: R50,000,000)

There are no restrictions on the entity's ability to realise cash balances.

Credit quality of cash at bank and short term deposits, excluding cash on hand

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates:

	2017	2016
Credit rating		
Aa1	231,635,432	325,546,328

Cash and cash equivalents pledged as collateral

	Note	2017	2016
Total financial assets pledged as collateral for COID Reserve	31	14,562,471	12,511,880

The term deposit investment is pledged as security to the Compensation Commissioner of the Workmen's Compensation Fund to guarantee the payment of claims in respect of injuries while on duty.

Notes to the Consolidated Annual Financial Statements

Figures in Rand	2017	2016

10. Cash and cash equivalents (continued)

The entity had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2017	30 June 2016	30 June 2015	30 June 2017	30 June 2016	30 June 2015
ABSA - Primary Account - 470 000 465	48,057,521	40,463,260	72,753,889	61,913,775	40,463,260	72,753,889
ABSA - Fresh Produce - 470 001 348	4,307,048	3,839,477	2,848,076	4,307,048	3,839,477	2,848,076
ABSA - Direct Deposits - 470 001 380	-	-	-	1,219,481	1,180,482	526,222
ABSA Bank - Current Account - 406 653 1831*	1,137	-	-	1,137	-	-
ABSA Bank - Current Account - 186 027 0184*	5,361,886	-	-	5,752,824	-	-
First National Bank - Current Account - 624 019 56729*	336,848	-	-	336,848	-	-
ABSA - Cheque Account - 4058833582	36,794,498	271,089,053	18,939,560	42,969,184	247,918,957	19,406,828
ABSA - Cheque account - 4055133721	19,947	22	289	19,947	22	289
ABSA - Cheque account - 4054065339	45,648	264,629	79,266	51,948	261,746	79,266
ABSA - Cheque account - 470001402	2,441,731	4,274,365	2,243,518	2,382,682	4,220,785	2,189,938
ABSA - Cheque account - 4054530924	621	18,145	17,779	611	18,145	17,779
ABSA - Cheque account - 4078209583	924,852	11,181,230	1,304,309	(1,344,076)	9,459,886	(430,655)
ABSA - Cheque account - 4080522070	7,785	22,462	21,268	8,335	22,462	21,268
ABSA - Cheque account - 4080521896	495	6,435	26,106	495	6,435	26,106
ABSA - Cheque account - 9326102088	2,882	-	-	(31,304)	-	-
Total	**98,302,899**	**331,159,078**	**98,234,060**	**117,588,935**	**307,391,657**	**97,439,006**

* These bank accounts relates to the incorporation of the former Naledi Local Municipality. Refer to Note 40 for further details.

Summary of short term deposits held

	2017	2016
Short term deposits held with ABSA	81,972,394	17,003,824
Short term deposits held with FNB	612,485	572,424
Short term deposits held with Nedbank	35,326	33,027
Short term deposits held with Standard Bank	31,426,292	545,396
	114,046,497	**18,154,671**

11. Investment property

	2017			2016		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	1,584,438,863	-	1,584,438,863	1,493,202,000	-	1,493,202,000

Reconciliation of investment property - 2017

	Opening balance	Fair value adjustments	Total
Investment property	1,493,202,000	91,236,863	1,584,438,863

Reconciliation of investment property - 2016

	Opening balance	Disposals	Fair value adjustments	Total
Investment property	1,632,027,363	(176,000)	(138,649,363)	1,493,202,000

Pledged as security

None of the investment property was pledged as security for any financial liability.

Investment property in the process of being constructed or developed

No investment property are in the process of being constructed or developed.

Details of property

A register containing the information required by section 63 of the Municipal Finance Management Act, (Act 56 of 2003) is available for inspection at the registered office of the entity.

Details of valuation

The effective date of the revaluations was 30 June 2017. The entity's investment property was revalued by independent professional qualified valuers who hold a recognised relevant professional qualification and have recent experience in the locations and categories of the investment properties valued.

The investment properties were revalued with reference to comparable market data where available, as well as information from the deeds office.

Notes to the Consolidated Annual Financial Statements

Figures in Rand	2017	2016

12. Property, plant and equipment

	2017			2016		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	1,627,641,214	-	1,627,641,214	1,549,123,578	-	1,549,123,578
Buildings	1,360,875,418	(13,487,744)	1,347,387,674	1,301,476,229	(112,393,193)	1,189,083,036
Buildings - WIP	55,771,205	-	55,771,205	69,227,289	-	69,227,289
Infrastructure - Roads and roads related	5,216,466,055	(1,924,629,400)	3,291,836,655	4,120,768,780	(1,543,651,934)	2,577,116,846
Infrastructure - Water network	2,253,939,252	(684,473,718)	1,569,465,534	2,162,199,933	(581,109,531)	1,581,090,402
Infrastructure - Water meters	171,530,620	(56,981,531)	114,549,089	159,136,903	(26,985,349)	132,151,554
Infrastructure - Sanitation network	2,527,943,006	(511,704,582)	2,016,238,424	1,890,037,826	(423,457,146)	1,466,580,680
Infrastructure - Electrical	4,039,945,404	(508,903,362)	3,531,042,042	3,816,003,260	(400,485,895)	3,415,517,365
Infrastructure - WIP	1,521,353,423	-	1,521,353,423	1,423,730,899	-	1,423,730,899
Community - Landfill sites and quarries	558,173,629	(393,482,146)	164,691,483	535,509,710	(366,486,115)	169,023,595
Community - Other	1,076,444,400	(468,997,919)	607,446,481	1,026,277,750	(404,783,529)	621,494,221
Community - WIP	90,337,704	-	90,337,704	91,529,468	-	91,529,468
Fleet	439,082,255	(155,032,425)	284,049,830	447,340,857	(136,184,648)	311,156,209
Other property, plant and equipment	162,002,458	(75,260,876)	86,741,582	151,455,005	(52,335,521)	99,119,484
Zoo animals	5,468,420	(678)	5,467,742	5,153,325	(634)	5,152,691
Total	**21,106,974,463**	**(4,792,954,381)**	**16,314,020,082**	**18,748,970,812**	**(4,047,873,495)**	**14,701,097,317**

Notes to the Consolidated Annual Financial Statements

Figures in Rand

12. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2017

	Opening balance	Additions / Transfer to additions	Additions through transfer of functions / mergers	Disposals	Transfers	Revaluations / Fair value adjustments	Depreciation	Impairment loss	Total
Land	1,549,123,578	183,985	50,813,963	(2,600,000)	(3,670,000)	33,789,688	-	-	1,627,641,214
Buildings	1,189,083,036	47,859,333	23,954,210	-	-	127,422,922	(37,225,349)	(3,706,478)	1,347,387,674
Buildings - WIP	69,227,289	(13,456,084)	-	-	-	-	-	-	55,771,205
Infrastructure - Roads and roads related	2,577,116,846	228,571,056	876,281,552	(4,288,495)	-	-	(385,844,304)	-	3,291,836,655
Infrastructure - Water network	1,581,090,402	22,451,464	69,287,643	-	-	-	(103,363,975)	-	1,569,465,534
Infrastructure - Water meters	132,151,554	10,056,037	3,816,807	(1,041,375)	-	-	(30,433,934)	-	114,549,089
Infrastructure - Sanitation network	1,466,580,680	584,001,466	53,903,714	-	-	-	(88,247,436)	-	2,016,238,424
Infrastructure - Electrical	3,415,517,365	210,267,894	38,714,466	(266,524)	-	(21,964,135)	(110,710,232)	(516,792)	3,531,042,042
Infrastructure - WIP	1,423,730,899	97,622,524	-	-	-	-	-	-	1,521,353,423
Community - Landfill sites and quarries	169,023,595	10,559,277	14,221,556	-	-	(2,116,914)	(26,996,031)	-	164,691,483
Community - Other	621,494,221	33,280,052	17,875,834	(117,887)	-	-	(65,085,739)	-	607,446,481
Community - WIP	91,529,468	(1,191,764)	-	-	-	-	-	-	90,337,704
Fleet	311,156,209	1,547,153	785,471	(5,452,209)	-	-	(23,986,794)	-	284,049,830
Other property, plant and equipment	99,119,484	13,575,098	298,876	(933,952)	-	-	(25,300,912)	(17,012)	86,741,582
Zoo animals	5,152,691	431,810	-	(271,350)	-	388,178	(233,587)	-	5,467,742
	14,701,097,317	**1,245,759,301**	**1,149,954,092**	**(14,971,792)**	**(3,670,000)**	**137,519,739**	**(897,428,293)**	**(4,240,282)**	**16,314,020,082**

Notes to the Consolidated Annual Financial Statements

Figures in Rand

12. **Property, plant and equipment (continued)**

Reconciliation of property, plant and equipment - 2016

	Opening balance	Additions / Transfer to additions	Disposals	Transfers	Revaluations / Fair value adjustments	Depreciation	Impairment loss	Total
Land	1,522,108,835	35,391,000	(614,470)	(7,761,787)	-	-	-	1,549,123,578
Buildings	1,218,449,122	9,371,780	(500,956)	-	-	(38,236,910)	-	1,189,083,036
Buildings - WIP	32,331,651	36,895,638	-	-	-	-	-	69,227,289
Infrastructure - Roads and roads related	2,709,548,412	111,503,306	(4,419,700)	-	-	(239,515,172)	-	2,577,116,846
Infrastructure - Water network	1,525,186,769	169,093,813	(4,258,562)	-	-	(108,931,618)	-	1,581,090,402
Infrastructure - Water meters	110,857,436	26,397,493	-	-	-	(5,103,375)	-	132,151,554
Infrastructure - Sanitation network	1,162,181,418	368,199,316	-	-	-	(63,800,054)	-	1,466,580,680
Infrastructure - Electrical	3,246,887,392	294,974,069	(927,581)	-	(17,794,678)	(104,245,312)	(3,376,525)	3,415,517,365
Infrastructure - WIP	1,046,921,902	376,808,997	-	-	-	-	-	1,423,730,899
Community - Landfill sites and quarries	161,497,019	38,180,557	(9,230,769)	-	-	(21,423,212)	-	169,023,595
Community - Other	560,961,612	123,356,945	(114,248)	-	-	(62,710,088)	-	621,494,221
Community - WIP	118,308,510	(26,779,042)	-	-	-	-	-	91,529,468
Fleet	312,893,828	25,732,123	(1,599,905)	(105,769)	-	(25,198,930)	(565,138)	311,156,209
Other property, plant and equipment	71,568,153	50,339,851	(1,344,053)	87,427	-	(21,531,894)	-	99,119,484
Zoo animals	6,456,555	673,985	(1,194,376)	-	(494,191)	(289,282)	-	5,152,691
	13,806,158,614	**1,640,139,831**	**(24,204,620)**	**(7,780,129)**	**(18,288,869)**	**(690,985,847)**	**(3,941,663)**	**14,701,097,317**

Pledged as security

None of the property, plant and equipment has been pledged as security for any financial liability.

Assets subject to finance lease (Net carrying amount)

Fleet	27,173,319	156,452,479
Office equipment	8,646,852	10,951,840
Centlec leased assets	999,004	1,904,413
	36,819,175	**169,308,732**

Figures in Rand	2017	2016

12. Property, plant and equipment (continued)

Revaluations

The effective date of the revaluation was 30 June 2017. Revaluations were performed by independent professionally qualified valuers who hold a recognised professional qualification and have recent experience in the locations and categories of the properties valued.

The value of properties was determined based on the market values and the information obtained from the deeds office.
The valuation was performed after the following factors were taken into account:
- the useful lives and;
- the condition of the asset.

There are no restrictions on the revaluation surplus.

The effective date of the revaluations for land and buildings of the municipal entity was year end 30 June 2015. Revaluations for land and buildings were performed by the independent valuers, Mr. Theunis Hendrik Myburgh & Mr. Raymond Taylor, professional valuers in terms of the Valuers' Act (Act 23 of 1982) of Equity Valuers. Equity Valuers is not connected to the municipal entity.

The effective date of the revaluations for the electrical infrastructure assets of the municipal entity was year end 30 June 2015. Revaluations for infrastructure assets was performed by an independent valuer, Mr. Frederick Coenraad Edward van der Merwe, BSc(Electrical), Professional Engineer (Reg.no 9770135), Engineering Council of South Africa and member of the South African Institute of Electrical Engineers (Reg.no 11180) from FCE Consulting Engineers. FCE Consulting Engineers is not connected to the municipal entity.

The valuations were performed using the depreciated replacement costs method.

Details of properties

A register containing the information required by section 63 of the Municipal Finance Management Act, (Act 56 of 2003) is available for inspection at the registered office of the entity.

Property, plant and equipment in the process of being constructed or developed

	2017	2016
Carrying value of property, plant and equipment that is taking a significantly longer period of time to complete than expected		
Seisa Ramabodu	9,932,359	-
The reason for the delay is due to the entity awaiting the Public Finance Management Act, (Act 1 of 1999) section 42 notice for the transfer of the facility from the Department of Public Works		
	9,932,359	**-**

In accordance with GRAP 17, the disclosure has been applied prospectively.

	2017	2016
Carrying value of property, plant and equipment where construction or development has been halted either during the current or previous reporting period(s)		
Project W0904 - Raceway Outfall (North Eastern Waste Water Treatment Works)	4,443,380	-
The reason for the project being halted is due to the contractor abandoning the site. The outstanding work needs to be completed before the entity can commission the asset.		
Project T1327B - Kenneth Kaunda Road	39,374,839	-
The project has been halted due to legal action taken against the contractor.		
Project T1327B - South Park Cemetery Access Road	22,247,472	-
The project has been halted due to Telkom cables that need to be relocated before the project can be completed.		
Project W1202F - Botshabelo Sanitation	11,121,285	-
The reason for the project being halted is due to the contractor abandoning the site. The outstanding work needs to be completed before the entity can commission the asset.		
	77,186,976	**-**

In accordance with GRAP 17, the disclosure has been applied prospectively.

12. Property, plant and equipment (continued)

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure to the value of R 397,507,138 were made to repair and maintain property, plant and equipment as disclosed in note 47.

Deemed cost

Deemed cost was determined using depreciated replacement cost.

Additions through transfer of functions

The additions through transfer of functions relates to the incorporation of the former Naledi Local Municipality as well as the town of Soutpan/Ikgometseng as a result of the redetermination of the boundaries of the Mangaung Metropolitan Municipality.

Refer to note 40 for further details relating to the transfer of functions.

13. Intangible assets

	2017			2016		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	64,616,275	(37,577,031)	27,039,244	54,261,871	(30,052,805)	24,209,066
Servitudes	85,225,448	-	85,225,448	84,886,940	-	84,886,940
Total	**149,841,723**	**(37,577,031)**	**112,264,692**	**139,148,811**	**(30,052,805)**	**109,096,006**

Reconciliation of intangible assets - 2017

	Opening balance	Additions and WIP Transferred to Additions	Amortisation	Total
Computer software	24,209,066	14,954,690	(12,124,512)	27,039,244
Servitudes	84,886,940	338,508	-	85,225,448
	109,096,006	**15,293,198**	**(12,124,512)**	**112,264,692**

Reconciliation of intangible assets - 2016

	Opening balance	Additions	Amortisation	Total
Computer software	32,054,146	6,620,108	(14,465,188)	24,209,066
Servitudes	84,765,628	121,312	-	84,886,940
	116,819,774	**6,741,420**	**(14,465,188)**	**109,096,006**

Pledged as security

None of the intangible assets were pledged as security for any financial liability.

Intangible assets in the process of being constructed or developed

No intangible assets are in the process of being constructed or developed.

Intangible assets with indefinite lives

Servitudes	85,225,448	84,886,940

The servitudes held by the entity are land rights that have been issued. The land held by the entity is deemed to have an indefinite useful life, including servitudes.

Deemed cost

Deemed cost was determined using depreciated replacement cost.

14. Heritage assets

	2017			2016		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Heritage assets	277,768,687	-	277,768,687	321,568,687	-	321,568,687

Reconciliation of heritage assets 2017

	Opening balance	Additions through transfer of functions*	Revaluation increase/ (decrease)	Total
Heritage assets	321,568,687	6,200,000	(50,000,000)	277,768,687

Reconciliation of heritage assets 2016

	Opening balance	Total
Heritage assets	321,568,687	321,568,687

Heritage assets additions through transfers of functions

*The additions through transfer of functions relates to the incorporation of the former Naledi Local Municipality. Refer to note 40 for further details.

Pledged as security

None of the heritage assets were pledged as security for any financial liability.

Revaluations

Heritage assets

The effective date of the revaluation was 30 June 2017.

Revaluations were performed by an independent valuer.

The fair value of heritage assets were determined after considering the following conditions:
- the condition of the asset
- the useful life of the asset
- the location of the asset

During the year under review one of the heritage assets of the entity sustained fire damage and as a result has been impaired. In determining the value of the impairment, the entity has adopted the restoration cost approach as per GRAP 21. A restoration cost of R50,000,000 has been estimate by the entity's insurers.

The impairment loss caluclated on the asset has been treated as a revaluation decrease and reversed against the revaluation reserve for assets carried at revalued amounts.

There are no restriction on the distribution of the balance of the revaluation reserve.

Heritage assets in the process of being constructed or developed

No heritage assets are in the process of being constructed or developed.

Deemed costs

Deemed cost was determined using depreciated replacement cost.

Figures in Rand	2017	2016

15. Non-current receivables

Designated at fair value		
2535 Unlisted shares - OVK Limited	32,104	33,107
Unlisted shares - OVK Limited	34,607	-
3685 Unlisted shares - Senwes Ltd	28,066	-
	94,777	**33,107**

At amortised cost		
Erven loans	455,084	8,760,885

Loans were granted to the public for the sale of erven and are repayable on a monthly basis over a maximum period of 5 years, at an interest rate of 1% above the bank rate of the entity. These loans are repayable on a monthly basis and no further loans are granted.

Housing selling schemes	11,848,329	47,833,011

Loans were granted to qualifying individuals and public organisations in terms of the housing program. These loans attract interest of between 6% and 14% per annum and are repayable on a monthly basis by way of salary deductions for officials and six monthly payments for public organisations over a period of 20 years.

Cricket stadium	8,741,638	9,144,198

The entity has a contract with the Free State Cricket Union for the purchase of the cricket stadium. The loan bears interest at 10% per annum and is repayable on an annual basis over 27 years ending 1 July 2022.

Kopanong Local Municipality	1,269,361	1,449,288

The capital funding provided to Kopanong Local Municipality is repayable in monthly installments based on the estimated useful life of the capital asset. The capital advances bear interest at 10% per annum.

Mohokare Local Municipality	681,461	777,003

The capital funding provided to Mohokare Local Municipality is repayable in monthly installments based on the estimated useful life of the capital asset. The capital advances bear interest at 10% per annum.

Naledi Local Municipality	-	180,678

The capital funding provided to Naledi Local Municipality is repayable in monthly installments based on the estimated useful life of the capital asset. The capital advances bear interest at 10% per annum.
This balance was transferred to the entity due to the incorporation of the former Naledi Local Municipality as a result of the redetermination of the boundaries of the Mangaung Metropolitan Municipality. Refer to note 40 for further details.

Consumer debtors - Arrangements	315,231	343,091

Consumer debtors with arrangements which exceed a period longer than 12 months.

	23,311,104	68,488,154
Impairment - Erven loans	(450,903)	(8,593,141)
Impairment - Housing selling schemes	(11,710,449)	(47,755,514)
Impairment - Cricket stadium	(8,741,638)	(9,144,198)
	2,408,114	**2,995,301**
Total other financial assets	**2,502,891**	**3,028,408**

Non-current assets		
Designated at fair value	94,777	33,107
At amortised cost	2,132,644	2,699,756
	2,227,421	**2,732,863**

Notes to the Consolidated Annual Financial Statements

Figures in Rand	2017	2016

15. Non-current receivables (continued)

Current assets		
At amortised cost	275,470	295,545

Financial assets at fair value

Fair values of financial assets measured or disclosed at fair value

Class 1 - Unlisted shares	94,777	33,107
The shares were valued using quoted market prices.		

Fair value hierarchy of financial assets at fair value

For financial assets recognised at fair value, disclosure is required of a fair value hierarchy which reflects the significance of the inputs used to make the measurements. The fair value hierarchy have the following levels:

Level 1 represents those assets which are measured using unadjusted quoted prices in active markets for identical assets.

Level 2 applies inputs other than quoted prices that are observable for the assets either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 applies inputs which are not based on observable market data.

Level 1		
Class 1 - Unlisted shares	94,777	33,107

Financial assets at amortised cost

Financial assets at amortised cost past due but not impaired

Other non-current receivables which are less than 3 months past due are not considered to be impaired. At 30 June 2017, none of the non-current receivables were past due but not impaired.

Financial assets at amortised cost impaired

As of 30 June 2017, other non-current receivables of R 20,902,973 (2016: R 65,492,836) were impaired and provided for.

The ageing of these loans is as follows.

Over 3 months	20,902,973	65,492,836

Reconciliation of provision for impairment of financial assets at amortised cost

Impairment of Erven loans		
Opening balance	8,593,141	8,735,906
Provision for impairment adjustment	(8,142,238)	-
Unused amounts reversed	-	(142,765)
	450,903	**8,593,141**

Impairment of Housing selling schemes		
Opening balance	47,755,497	47,468,253
Provision for impairment adjustment	(36,045,048)	783,530
Unused amounts reversed	-	(496,286)
	11,710,449	**47,755,497**

Impairment of Cricket stadium		
Opening balance	9,144,198	9,372,425
Unused amounts reversed	(402,560)	(228,227)
	8,741,638	**9,144,198**

Figures in Rand	2017	2016

15. Non-current receivables (continued)

Due to the limitations on the financial system, it is impractical to disclose the impaired interest on the non-current receivables.

The maximum exposure to credit risk at the reporting date is the fair value of each class of loan mentioned above. The entity does not hold any collateral as security.

None of the non-current receivables were pledged as security for any financial liability.

16. Deferred tax

Deferred tax liability

Opening balance	(462,929,813)	(391,523,240)
Property, plant and equipment	(61,431,520)	(55,294,395)
Taxable temporary differences	(641,399)	(16,103,430)
Prepaid expenses	-	(8,748)
Total deferred tax liability	**(525,002,732)**	**(462,929,813)**

Deferred tax asset

Opening balance	143,891,447	8,036,308
Taxable temporary differences	1,669,720	-
Prepaid expense	151,352	-
Tax losses available for set off against future taxable income	84,532,691	135,855,139
Total deferred tax asset	**230,245,210**	**143,891,447**

Deferred tax liability	(525,002,732)	(462,929,813)
Deferred tax asset	230,245,210	143,891,447
Total net deferred tax liability	**(294,757,522)**	**(319,038,366)**

Reconciliation of deferred tax asset \ (liability)

At beginning of year	(319,038,366)	(323,325,738)
Depreciable assets	(61,431,520)	(55,294,415)
Finance lease	6,843	(5,098)
Operating leases	-	(84,732)
Provisions	1,021,478	(16,013,599)
Prepaid expenses	151,352	(8,748)
Assessed loss	84,532,691	75,693,964
	(294,757,522)	**(319,038,366)**

Recognition of deferred tax asset

An entity shall disclose the amount of a deferred tax asset and the nature of the evidence supporting its recognition, when:

- the utilisation of the deferred tax asset is dependent on future taxable surpluses in excess of the surpluses arising from the reversal of existing taxable temporary differences; and
- the entity has suffered a deficit in either the current or preceding period in the tax jurisdiction to which the deferred tax asset relates.

The deferred tax asset arose as a result of the municipal entity not having been subject to income tax in the past. However in the 2014/15 financial year the municipal entity had to account for income tax which resulted in the wear and tear allowances being in excess of the available surplus. The municipal entity has the ability to generate profit in the foreseeable future against which temporary differences will be utilised.

Deferred tax assumptions

As at 30 June 2017 no guidance was received from SARS on the transition from a tax exempt entity to a taxable entity. Due to this uncertainties in the calculation of the municipal entity's taxation exist and will continue to exist going forward until a pronunciation is made by SARS on the municipal entity's tax calculation. In the absence of a pronunciation from SARS and the fact that the municipal entity is no longer tax exempt, the municipal entity had to make certain key assumptions relating to income- and deferred tax to be able to account for tax. These assumptions are set out as follows:

16. Deferred tax (continued)

Infrastructure assets

The base cost for the electrical infrastructure assets of the municipal entity was determined by using the audited infrastructure fixed asset register. The tax exemption for the municipal entity was no longer applicable as at 1 July 2014, on this date the municipal entity embarked on an exercise to determine the base cost for each of the Infrastructure assets. The closing balance for the 2013/2014 financial year was deemed as the most accurate value to be used as the base cost and carrying values for tax purposes moving forward. Up until 1 July 2014 management had never claimed any wear & tear on infrastructure assets. The base cost was therefore the deemed cost as at 1 July 2014.

Infrastructure assets of the municipal entity are all carried on the revaluation model as per General Recognised Accounting Standards 17 - Property plant and equipment. There is no General Recognised Accounting Standards standard applicable to taxation, therefore the municipal entity referred to the international accounting standards (IAS) for further guidance, which is IAS 12: Income taxation. Through inspection of the income tax act and the practice notes it was noted that there was no clear guidance regarding the write off periods for electrical infrastructure assets. Due to this Section 12D of the income tax action was deemed as the best alternative to use to determine the write off periods for most of the electrical infrastructure assets. Section 12D was applied to the following electrical infrastructure assets: High Voltage conductors, Medium Voltage conductors, Low Voltage conductors and the Streetlights. All other categories of infrastructure assets could operate independent of transmission lines and Section 12D would not be applicable to these assets.

As per the Income Tax Act, (Act 58 of 1962) the kind of information that could be useful in determining the expected useful life of an asset/write off period include:

- Independent engineering information;
- The taxpayer's own past experience with similar assets;

Based on the above and due to insufficient guidance in the Income Tax Act, (Act 58 of 1962) the option of best professional judgement in determining an accurate write off period for the Infrastructure assets was used as follows:

- For all the distribution lines and cables a 5% write off period was used
- For all other infrastructure assets a 5 year write off period was adopted as the assets have been in operation for some time and as per the engineering information they cannot fall within Section 12D of the Income Tax Act, (Act 58 of 1962) .

Section 12 of the Income Tax Act, (Act 58 of 1962) was applied therefore no apportionment of the wear and tear was done. The wear and tear of assets is the amount that the South African Receiver of Revenue considers an appropriate write off timeframe for each asset.

The wear and tear was calculated as follows:

- The depreciated replacement cost was taken per asset and any addition for the year was added and this value was multiplied by 20%.
- When an asset is disposed of during the financial year wear and tear is still calculated for that asset and an inspection for a possible recoupment is done.

Non-Infrastructure assets

All assets other than infrastructure assets were written off by making use of Practice note 19.

Debt impairment

The provision for debt impairment is limited as a tax deduction to the extent that the originating revenue was taxable. Since the municipal entity was tax exempt for a period the revenue recognised and subsequently impaired during this period could not fully be included as a tax deduction. Due to this only the movement in the debt impairment for the year when the municipal entity first became taxable was used in calculating the tax.

Figures in Rand	2017	2016

17. Payables from exchange transactions

Accrued bonus	31,570,417	26,832,614
Accrued leave pay	121,356,941	119,996,035
Claims - Unfair dismissal	4,879,817	4,879,817
Deferred lease expenditure	561,661	1,711,549
Deferred revenue	11,954,096	10,882,310
Electricity connections	9,423,971	6,887,585
Mantsopa Local Municipality	5,648,432	8,333,222
Payments received in advance	81,266,228	83,722,728
Operating expense accrual	6,001,550	16,349,385
Other payables	48,502,220	52,409,845
Other payables - Grants	979,450	8,599,570
Retentions	154,708,110	137,488,773
Salaries Payable	3,038,705	1,845,965
Unallocated deposits received	6,240,707	6,116,487
Trade payables	936,495,374	846,681,487
	1,422,627,679	**1,332,737,372**

The entity defaulted on the payment of suppliers within 30 days. The average term of payment of suppliers for the year was 95 days (2016: 99 days).

None of the payables' terms were renegotiated before the annual financial statements were authorised for issue.

18. Payables from non-exchange transactions

Payments received in advance	287,620,182	284,236,541
Other	2,518,683	1,342,476
Deposits	670,704	620,390
	290,809,569	**286,199,407**

19. Consumer deposits

Electricity	115,353,089	127,743,335
Water	34,829,238	33,728,408
	150,182,327	**161,471,743**

Guarantees in lieu of water consumer deposits amounted to R 1,806,961 (2016: R 2,018,667).
Guarantees in lieu of electricity consumer deposits amounted to R 34,408,854 (2016: R 24,381,972).
Guarantees in lieu of vendor electricity deposits amounted to R 1,348,891 (2016: R 11,368,891)

Fair value hierarchy

For financial liabilities recognised at fair value, disclosure is required of a fair value hierarchy which reflects the significance of the inputs used to make the measurements. The fair value hierarchy have the following levels:

- Level 1 represents those liabilities which are measured using unadjusted quoted prices in active markets for identical liabilities.
- Level 2 applies inputs other than quoted prices that are observable for the liabilities either directly (i.e as prices) or indirectly (i.e. derived from prices).
- Level 3 applies inputs which are not based on observable market data.

Fair values of financial liabilities measured or disclosed at fair value

Level 1

Water	34,829,238	33,728,408
Electricity	115,353,089	127,743,335
	150,182,327	**161,471,743**

Notes to the Consolidated Annual Financial Statements

Figures in Rand	2017	2016

20. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

City of Ghent - Youth Development Grant	481,950	825,516
Department Telecoms and Postal Services Grant	4,133,554	5,292,842
Expanded Public Works Programme Incentive Grant	3,293,070	-
Integrated City Development Grant	4,858,068	96,234
Municipal Accreditation Project Funding - Housing grant	-	1,312,966
Municipal Demarcation Transition Grant	8,431,226	-
Municipal Human Settlement Grant	-	2,784,685
Neighbourhood Development Grant	36,080,947	32,240,277
Public Transport Infrastructure Grant	22,228,517	-
Sports, Arts & Culture - Admin Libraries	627,315	3,291,174
Sustainable Human Settlement Grant	1,595,782	1,595,782
Urban Settlement Development Grant	82,229,207	58,643,843
	163,959,636	**106,083,319**

The amounts will be recognised as revenue when conditions have been met.

See note 38 for reconciliation of grants from National/Provincial Government.

21. Operating lease liabilities

Current liabilities	-	97,893

The municipal entity leases a building situated in Botshabelo from Free State Development Corporation (FDC) for an indefinite period which can be terminated by way of a 3 month cancellation clause. Management has estimated to rent from FDC until the year 2017.
The lease rental is escalated annually on 1 December by 10%. The straight lined amount was calculated as R30,062 per month.

The municipal entity leases a building situated in Bloemfontein from Telkom SA (SOC) Ltd for an initial rental period of 3 years, commencing on 1 November 2013 and terminating on 31 October 2016 with no option to purchase. The lease agreement was extended for one year from 1 November 2016 to 31 October 2017 and will remain in force on a month to month basis thereafter until termination by either party. The lease rental is escalated annually on 1 November by the prime lending rate as quoted by Standard Bank at the date of escalation plus 1%. The straight lined amount was calculated as R233,273 per month.

22. Finance lease obligation

Finance lease obligation	19,902,543	65,153,319
Minimum lease payments due		
- within one year	17,294,945	52,257,921
- in second to fifth year inclusive	7,657,583	25,622,885
	24,952,528	77,880,806
less: future finance charges	(5,049,984)	(12,727,487)
Present value of minimum lease payments	**19,902,544**	**65,153,319**
Present value of minimum lease payments due		
- within one year	13,832,226	44,968,869
- in second to fifth year inclusive	6,070,317	20,184,450
	19,902,543	**65,153,319**
Non-current liabilities	6,070,317	20,184,450
Current liabilities	13,832,226	44,968,869
	19,902,543	**65,153,319**

Notes to the Consolidated Annual Financial Statements

Figures in Rand	2017	2016

22. Finance lease obligation (continued)

The entity leases various equipment and vehicles under finance leases. The maximum lease term is between 2 and 5 years and the average borrowing rate is between 9% and 15%. Leases are not renewed automatically upon expiry, unless otherwise instructed by the entity.

No arrangements have been entered into for contingent rent.

The entity did not default on any of the finance lease obligations, whether it be on the capital or interest portion.

None of the terms attached to the existing finance lease obligations were renegotiated.

The entity's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer to note 12.

23. Borrowings

	2017	2016
At amortised cost		
DBSA - FS1034/01	127,929,168	134,296,965
DBSA - FS1034/02	37,832,661	40,510,298
DBSA - 6100 7294	289,153,434	309,292,276
Standard Bank - Loan 33714314	270,309,974	289,958,386
ABSA - Loan	486,012,452	-
Total other financial liabilities	**1,211,237,689**	**774,057,925**

These loans are from ABSA, The Development Bank of South Africa and Standard Bank of South Africa Limited. Repayments are made either monthly or on a six monthly basis. The final loan will be redeemed at 30 October 2027 and the loans bear interest between 6% and 14%.

	2017	2016
Non-current liabilities		
At amortised cost	1,072,530,241	673,092,551
Current liabilities		
At amortised cost	138,707,448	100,965,374

Defaults and breaches

The following loans were in default as a result of not meeting capital repayment requirements as per the contractual arrangements.

Due to the implementation of the new budget and reporting reforms (mSCOA) which came into effect on 1 July 2017 the entity's accounting system was unable to process payments during the period of implementation.

All the loans were remedied through payment of the accrued capital and interest amounts on the 24th July 2017. There were no renegotiations of the borrowing required.

Loans	Carrying amount as at 30 June 2017	Principal paid	Interest paid
DBSA - FS1034/01	127,929,168	567,112	1,935,093
DBSA - FS1034/02	37,832,661	218,835	457,260
DBSA - 6100 7294	289,153,434	9,767,442	24,957,563
Standard Bank - Loan 33714314	270,309,974	10,310,724	14,343,877
	725,225,237	**20,864,113**	**41,693,793**

Notes to the Consolidated Annual Financial Statements

Figures in Rand	2017	2016

24. Provisions

Rehabilitation of landfill sites	196,335,873	203,710,648
Rehabilitation of quarry sites	319,792,341	317,377,880
	516,128,214	**521,088,528**

Reconciliation of provisions - 2017

	Opening Balance	Additions through transfer of functions	Re-assessment	Total
Rehabilitation of landfill sites	203,710,648	13,175,299	(20,550,074)	196,335,873
Rehabilitation of quarry sites	317,377,880	-	2,414,461	319,792,341
	521,088,528	**13,175,299**	**(18,135,613)**	**516,128,214**

Reconciliation of provisions - 2016

	Opening Balance	Re-assessment	Change in discount factor	Total
Rehabilitation of landfill sites	143,407,853	57,759,530	2,543,265	203,710,648
Rehabilitation of quarry sites	345,753,994	(34,559,175)	6,183,061	317,377,880
	489,161,847	**23,200,355**	**8,726,326**	**521,088,528**

Non-current liabilities	178,043,636	178,043,635
Current liabilities	338,084,578	343,044,893
	516,128,214	**521,088,528**

Rehabilitation of landfill sites

The provision for rehabilitation of landfill sites relates to the legal obligation to rehabilitate landfill sites to a condition whereby it complies to the permit requirements issued in terms of the Mineral and Petroleum Resources Development Act, (Act 28 of 2002). The provision was determined by an independent expert for the rehabilitation cost in 2016 and then approximated the expected future cash flows using reasonable estimation techniques. The discount rate used for all the landfill sites is based on a CPA rate that matures as close as possible to the future date of the rehabilitation, the rate is 1.66% (2016: 13.491%) for the circumstances of the entity.

Landfill sites consists of:	**Restoration date:**
Botshabelo Landfill Site	2117
Northern Landfill Site	2021
Southern Landfill Site	2038
Van Stadensrus Landfill Site	2034
Wepener Landfill Site	2018
Soutpan/Ikgomotseng Landfill site	2024

The final restoration of landfill sites are expected to be in the year listed above, being the estimated useful lives of landfill sites. No uncertainties were listed in the engineer's report. The certainty and the timing of the outflow of these liabilities are uncertain and the amounts disclosed are the possible outflow amounts.

Rehabilitation of quarry sites

The provision for rehabilitation of quarry sites relates to the legal obligation to rehabilitate quarry sites to a condition whereby it complies to the permit requirements issued in terms of the Mineral and Petroleum Resources Development Act, (Act 28 of 2002).The provision was determined by an independent expert for the rehabilitation cost in 2017 and then approximated the expected future cash flows using reasonable estimation techniques. The discount rate used for all the quarry sites is based on a CPA rate that matures as close as possible to the future date of the rehabilitation, the rate is 1.65% (2016: 4.789%) for the circumstances of the entity.

24. Provisions (continued)

Quarries consists of:	Restoration date:
Bloemfontein	
Cecelia	2018
Sunnyside	2018
Kgotsong	2018
Ipopeng	2017
Chris Hani	2017
Caleb Motsoabi	2017
N1	2017
Botshabelo	
K-Section	2017
F1-Section	2017
F2.1-Section	2017
F2.2-Section	2017
W-Section	2017
S-Section	2017
B-Section	2017
Thaba Nchu	
Seroala	2017
Thubisi	2017
Putsane	2017
Merino	2017
Rhakoi	2017
Sediba	2017
Rooibult	2017
Kgalala	2017
Baraclava 1	2017
Baraclava	2017
Bultfontein 3	2017
Modutung	2017
Talla	2017
Nogas Pst	2017

The final restoration of quarry sites are expected to be in the year listed above, being the estimated useful lives of quarry sites. No uncertainties were listed in the engineer's report. The certainty and the timing of the outflow of these liabilities are uncertain and the amounts disclosed are the possible outflow amounts.

Figures in Rand	2017	2016

25. Employee benefit obligations

Defined benefit plan

The defined benefit liability as disclosed below is represented by three different post-employment benefits. None of the benefits set out below are externally funded.

Post retirement medical aid plan

Active members receive a fixed subsidy of 60% of medical aid contributions during the current working year, up to a specified maximum employer contribution. The spouse or adult dependant of an active member is entitled to a 60% subsidy of their contributions. This proportion of the subsidy will continue to be paid in the event of the principal member's death.

Continuation members receive a fixed subsidy of 60% of medical aid contributions during the current working year, up to a specified maximum employer contribution. The spouse or adult dependant of a continuation member is entitled to a 60% subsidy of their contributions.

Pension benefits

Pension gratuities are payable to retired employees and pensioners who were in service of the council on or before 1 October 1981, who did not qualify to be members of the FS Joint Municipal Pension Fund or FS Local Government Pension Fund, or who were not members of a pension fund by this date, with 20 years of uninterrupted service and a minimum retirement age of 60 years have been obtained.

Long service award

Long service awards are payable to qualifying in-service employees. The leave benefits are in accordance with paragraph 11 of the South African Local Government Bargaining Council (SALGBC) collective agreement on conditions of service for the Free State division of SALGBC.

The amounts recognised in the statement of financial position are as follows:

	2017	2016
Carrying value		
Present value of the defined benefit obligation-wholly unfunded	841,139,000	730,560,000
Non-current liabilities	839,678,000	729,754,000
Current liabilities	1,461,000	806,000
	841,139,000	**730,560,000**

Notes to the Consolidated Annual Financial Statements

Figures in Rand	2017	2016

25. Employee benefit obligations (continued)

Changes in the present value of the defined benefit obligation are as follows:

Opening balance	730,560,000	646,465,000
Incorporation of the former Naledi Local Municipality*	3,679,000	-
Current service costs	47,351,000	37,060,000
Interest costs	67,606,000	60,753,000
Actuarial (gains)/losses	10,584,000	2,320,822
Benefits paid	(18,641,000)	(16,038,822)
	841,139,000	**730,560,000**

2013	Pension fund	Medical aid	Long service award	Total
Defined benefit obligation as at 30 June 2012	5,194,000	280,551,000	59,061,000	344,806,000
Interest cost	407,000	25,797,000	4,648,000	30,852,000
Current service cost	47,000	12,922,000	5,767,000	18,736,000
Benefits paid / (expected)	(452,000)	(6,912,000)	(7,509,676)	(14,873,676)
Actuarial (gains) / losses	797,000	60,044,000	15,517,676	76,358,676
	5,993,000	**372,402,000**	**77,484,000**	**455,879,000**

2014	Pension fund	Medical aid	Long service award	Total
Defined benefit obligation as at 30 June 2013	5,993,000	372,402,000	77,484,000	455,879,000
Interest cost	453,000	34,729,000	5,811,000	40,993,000
Current service cost	43,000	17,517,000	8,173,000	25,733,000
Benefits paid / (expected)	(381,000)	(7,566,000)	(10,552,179)	(18,499,179)
Actuarial (gains) / losses	(943,000)	54,590,000	2,492,179	56,139,179
	5,165,000	**471,672,000**	**83,408,000**	**560,245,000**

2015	Pension fund	Medical aid	Long service award	Total
Defined benefit obligation as at 30 June 2014	5,165,000	471,672,000	83,408,000	560,245,000
Interest cost	426,000	45,955,000	6,834,000	53,215,000
Current service cost	49,000	22,228,000	8,741,000	31,018,000
Past service costs	-	24,045,000	-	24,045,000
Benefits paid / (expected)	(354,000)	(8,357,000)	(10,230,949)	(18,941,949)
Actuarial (gains) / losses	(352,000)	1,635,000	(4,399,051)	(3,116,051)
	4,934,000	**557,178,000**	**84,353,000**	**646,465,000**

2016	Pension fund	Medical aid	Long service award	Total
Defined benefit obligation as at 30 June 2015	4,934,000	557,178,000	84,353,000	646,465,000
Interest cost	405,000	53,241,000	7,107,000	60,753,000
Current service cost	47,000	27,719,000	9,294,000	37,060,000
Benefits paid / (expected)	(322,000)	(9,138,000)	(6,578,822)	(16,038,822)
Actuarial (gains) / losses	(247,000)	(2,563,000)	5,130,822	2,320,822
	4,817,000	**626,437,000**	**99,306,000**	**730,560,000**

2017	Pension fund	Medical aid	Long service award	Total
Defined benefit obligation as at 30 June 2016	4,817,000	626,437,000	99,306,000	730,560,000
Incorporation of the former Naledi Local Municipality*	-	1,027,000	2,652,000	3,679,000
Interest cost	452,000	58,835,000	8,319,000	67,606,000
Current service cost	(1,020,000)	45,058,000	3,313,000	47,351,000
Benefits paid / (expected)	(114,000)	(10,680,000)	(7,847,000)	(18,641,000)
Actuarial (gains) / losses	(372,000)	(2,661,000)	13,617,000	10,584,000
	3,763,000	**718,016,000**	**119,360,000**	**841,139,000**

Notes to the Consolidated Annual Financial Statements

Figures in Rand	2017	2016

25. Employee benefit obligations (continued)

Estimated future contributions

	Pension fund	Medical aid	Long service award	Total
Defined benefit obligation as at 30 June 2017	3,763,000	718,016,000	119,360,000	841,139,000
Interest cost	40,000	35,584,000	10,787,000	46,411,000
Current service cost	378,000	66,816,000	8,870,000	76,064,000
Benefits paid / (expected)	(321,000)	(14,180,000)	(13,765,000)	(28,266,000)
	3,860,000	**806,236,000**	**125,252,000**	**935,348,000**

Key assumptions used

Assumptions used at the reporting date:

	2017	2016
Discount rate - Pension fund	9.00 %	9.00 %
Discount rate - Medical aid	9.75 %	9.75 %
Discount rate - Long service award	8.65 %	8.65 %
Expected increase in healthcare costs	9.26 %	9.26 %
Salary inflation rate - Pension fund	8.65 %	8.65 %
Salary inflation rate - Long service award	8.35 %	8.35 %
Expected pension increases	6.65 %	6.65 %
Inflation rate - Pension	6.65 %	6.65 %
Inflation rate - Medical aid	7.26 %	7.26 %
Inflation rate - Long service awards	6.35 %	6.35 %
Membership discontinued at retirement or death-in-service	10.00 %	10.00 %
Expected retirement age (years)	63	63

The tables used in determining the pre- and post-retirement mortality were as follows:

Pre-retirement mortality: SA85-90 Light rated down 1 year

Post-retirement mortality: PA(90) rated down 1 year plus 1% future mortality improvement from 2010.

Government bond yields were used when setting the best-estimate discount rate assumption for health care cost.
The estimated discount rate health care cost was set equal to the yield on the BESA zero-coupon yield curve with a term of 19 years, the expected duration of the liability based on the current membership data, as at 30 June 2016.

Withdrawal rate assumptions:
In the absence of credible past withdrawal data for these particular schemes, the withdrawal assumptions have been set in line with those generally observed in the South African market.
The withdrawal rates vary from 13.30% to 2.90% for the age group 20 - 50 years, while the estimated withdrawal rate from 55 years is calculated at 0%.

*The additional liability from Naledi and Soutpan relates to the transfer of function between entities not under common control. Refer to note 40 for further details.

Other assumptions

Assumed healthcare cost trends rates have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed healthcare cost trends rates would have the following effects:

	One percentage point increase	One percentage point decrease
Effect on defined benefit obligation	(932,047,700)	(838,461,030)
Effect on the aggregate of the service cost	(43,178,300)	(38,794,470)
Effect on the aggregate of the interest cost	(74,446,500)	(66,947,350)

Amounts for the current and previous four years are as follows:

	2017 R	2016 R	2015 R	2014 R	2013 R
Defined benefit obligation	841,139,000	730,560,000	646,465,000	560,245,000	455,879,000
Experience adjustments on plan liabilities	9,489,000	1,039,000	6,659,000	16,647,000	33,624,000

Figures in Rand	2017	2016

26. FRESHCO liability

FRESHCO Liability	204,013,644	214,558,041

The entity has entered into an agreement with the Free State Social Housing Company (FRESHCO), a section 21 company, to implement and pursue a programme of Social Housing suitable for low to medium income households. The agreement commenced on 1 February 2010 and shall be terminated on 31 January 2033 unless both parties agree to extend the agreement period. The entity charges FRESHCO a nominal rental amount on a monthly basis which escalates by 5% annually. The rental amount is included in note 35 – Rental of facilities and equipment.

In terms of the agreement, FRESHCO will refurbish and maintain 351 existing municipal flats and build 592 additional flats in the suburb called Brandwag. This will remain the property of the entity. The entity will provide municipal infrastructure where these are not currently in existence. FRESHCO will utilise a portion of the rental income earned from renting out these properties to maintain and refurbish these flats.

The amount is recognised as revenue over the period of the agreement upon completion of the assets.

27. Land availability liability

Land availability liability	297,656,906	186,119,361

The entity has entered into an agreement with a developer to implement and pursue a programme of land development which will provide infrastructure and housing suitable for low to medium income households. The agreement commenced on 10 July 2014 and shall be terminated on 31 October 2032, unless both parties agree to extend the agreement period.

In terms of the agreement, the developer will develop 762 erven in Mangaung Extension 34, and 1580 erven in Mangaung Extension 35. This development will be known as the Hillside Development.

The land shall remain the property of the entity throughout the development. Upon completion of development, the entity shall retain 30% of the single residential erven within the development, and the infrastructure services.

The developer shall be entitled to sell the remaining developed and serviced erven to third parties, and will retain the proceeds of these sales as compensation for the developed assets retained by the entity.

The developer shall contribute to the bulk infrastructure installations within the development and shall provide a contribution for the land, upon sale to the third parties.

The revenue from these sales will be recognised upon transfer to the third party, and the related liability shall be derecognised.

The buildings retained by the entity shall be capitalised throughout the development process.

28. Revaluation reserve

Opening balance	1,961,930,567	1,984,560,395
Revaluation of assets	160,823,669	17,260,688
Impairment losses on revalued capital assets	(71,964,135)	(17,794,678)
Realisation of revaluation reserve	(12,888,835)	(22,095,838)
	2,037,901,266	**1,961,930,567**

There are no restrictions on the distribution of the revaluation reserve.

29. Other NDR

Non-distributable reserve	60,000,000	60,000,000

In accordance with the terms of the NERSA (National Energy Regulator of South Africa) agreement it was agreed that R60,000,000 is to be held as a non-distributable reserve.

30. Self insurance reserve

Opening balance	5,000,000	5,000,000
Contributions received	305,390	180,770
Insurance claims processed	(305,390)	(180,770)
	5,000,000	**5,000,000**

Notes to the Consolidated Annual Financial Statements

Figures in Rand	2017	2016

31. COID reserve

Opening balance	12,511,880	10,628,620
Contributions received	3,511,922	3,393,230
Insurance claims processed	(1,541,663)	(1,509,970)
	14,482,139	**12,511,880**

32. Revenue

Service charges	3,187,569,168	2,890,662,390
Rental of facilities and equipment	35,764,278	33,243,326
Income from agency services	3,844,123	4,788,455
Licences and permits	259,038	656,529
Other income from exchange transactions	85,476,099	96,378,229
Interest received	272,276,682	220,587,550
Property rates	993,753,704	810,476,472
Government grants & subsidies	1,817,908,000	1,710,171,686
Other income from non-exchange transactions	5,229,948	30,269,636
Fines	38,278,450	51,082,513
Gain from transfer of functions between entities not under common control	1,149,737,705	-
	7,590,097,195	**5,848,316,786**

The amount included in revenue arising from exchanges of goods or services are as follows:

Service charges	3,187,569,168	2,890,662,390
Rental of facilities and equipment	35,764,278	33,243,326
Income from agency services	3,844,123	4,788,455
Licences and permits	259,038	656,529
Other income from exchange transactions	85,476,099	96,378,229
Interest received	272,276,682	220,587,550
	3,585,189,388	**3,246,316,479**

The amount included in revenue arising from non-exchange transactions is as follows:

Taxation revenue		
Property rates	993,753,704	810,476,472
Transfer revenue		
Government grants & subsidies	1,817,908,000	1,710,171,686
Other income from non-exchange transactions	5,229,948	30,269,636
Fines	38,278,450	51,082,513
Gain from transfer of functions between entities not under common control	1,149,737,705	-
	4,004,907,807	**2,602,000,307**

33. Service charges

Sale of water	783,566,122	622,094,911
Sale of water - Naledi & Soutpan*	8,579,961	-
Sale of water - Prepaid water	7,435,337	532,313
Sewerage and sanitation charges	224,698,006	220,157,852
Sewerage and sanitation charges - Naledi & Soutpan*	5,056,938	-
Refuse removal	88,484,829	84,729,214
Refuse removal - Naledi & Soutpan*	3,974,146	-
Sale of electricity	1,311,804,107	1,322,188,000
Sale of electricity - Naledi & Soutpan*	20,099,376	-
Sale of electricity - Prepaid electricity	733,870,346	640,960,100
	3,187,569,168	**2,890,662,390**

*The revenue from Naledi and Soutpan relates to the transfer of function between entities not under common control. Refer to note 40 for further details.

Notes to the Consolidated Annual Financial Statements

Figures in Rand	2017	2016

34. Rental of facilities and equipment

Premises		
Premises	90,575	1,190,983
Venue hire	-	1,369,482
	90,575	**2,560,465**
Facilities and equipment		
Rental of facilities	34,814,857	29,766,027
Rental of equipment	506,188	565,234
Other	352,658	351,600
	35,673,703	**30,682,861**
	35,764,278	**33,243,326**

35. Other income from exchange transactions

Advertising	3,031,052	1,271,056
Analysis of industrial effluent	1,801,199	2,580,717
Building plan fees	4,176,792	3,782,363
Clearance certificates	2,418,515	2,058,736
Commission - Fresh Produce Market	20,012,478	19,254,934
Connection and re-connection of water	27,648,844	25,065,468
Credit control fees	1,710,432	2,352,052
Entrance fees	1,370,756	1,549,304
Grave plots	2,831,324	3,042,842
Insurance collection	2,738,555	2,864,572
Parking fees	1,057,695	1,154,287
Removal fees	516,278	1,108,306
Sale of erven	1,178,758	11,514,818
Sale of redundant materials	2,252,009	9,611
Sale of tender documents	919,498	2,696,193
Training	7,153,696	3,744,077
Sundry income	4,658,218	12,328,893
	85,476,099	**96,378,229**

36. Interest received

Interest revenue		
Cash and cash equivalents	13,735,492	14,279,064
Interest charged on consumer and other receivables	239,964,845	173,488,788
Interest charged on long term receivables	1,588,486	1,711,667
Interest on bank investments	16,987,859	31,108,031
	272,276,682	**220,587,550**

Notes to the Consolidated Annual Financial Statements

Figures in Rand	2017	2016

37. Property rates

Rates levied

Residential and business/commercial	709,181,858	648,867,605
Residential and business/commercial - Naledi & Soutpan*	1,116,058	-
Government	283,450,604	161,608,867
Government - Naledi & Soutpan*	5,184	-
	993,753,704	**810,476,472**

*The revenue from property rates from Naledi and Soutpan relates to the transfer of function between entities not under common control. Refer to note 40 for further details.

Valuations

Residential	63,545,312,530	62,580,729,147
Business/Commercial	19,658,987,083	17,862,389,465
Government	9,008,844,970	8,716,257,170
Municipal	5,374,435,309	5,122,902,685
	97,587,579,892	**94,282,278,467**

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2013. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

The new general valuation will be implemented on 1 July 2017.

The first R 70,000 of the rateable value of residential property is exempted from taxes, including properties which are zoned for the purpose of town houses and flats, as well as smallholdings and farms used solely for residential and agricultural purposes.

In respect of qualifying senior citizens and disabled persons, the first R 250,000 of the rateable value of their residential properties is exempted from rates subject to the property value not exceeding R 2,000,000

2017:
From 1 July 2016 the basic rates were adjusted as follows:
- R0.001655 on the value of rateable farm property
- R0.006621 on the value of rateable residential property
- R0.027270 on the value of rateable government property
- R0.027270 on the value of rateable business/commercial property

2016:
From 1 July 2015 the basic rates were adjusted as follows:
- R0.001533 on the value of rateable farm property
- R0.006131 on the value of rateable residential property
- R0.025250 on the value of rateable government property
- R0.025250 on the value of rateable business/commercial property

Notes to the Consolidated Annual Financial Statements

Figures in Rand	2017	2016

38. Government grants and subsidies

Operating grants

Equitable share	622,989,000	596,652,000
Fuel levy	272,691,000	260,928,000
City of Ghent - Youth Development Grant	343,566	300,965
Financial management grant	3,310,000	1,300,000
Municipal accreditation project funding - Housing grant	1,312,966	2,315,295
Municipal Human Settlement Capacity Grant	3,004,513	6,421,315
Sports, Arts & Culture - Admin libraries	4,663,859	708,826
Demand Side Management Grant	7,000,000	-
Telecoms and postal grant	1,159,288	-
Municipal demarcation transition grant	4,996,774	-
	921,470,966	**868,626,401**

Capital grants

Expanded Public Works Programme Incentive grant	1,857,930	3,135,641
Integrated City Development Grant	6,053,932	10,060,766
Neighborhood Development Grant	694,053	21,535,723
Public Transport Infrastructure and Network Systems Grant	177,913,483	63,072,200
Sustainable Human Settlement Grant	-	1,002,243
Urban Settlement Development Grant	701,417,636	712,738,712
National Electrification Programme Grant	8,500,000	30,000,000
	896,437,034	**841,545,285**
	1,817,908,000	**1,710,171,686**

Reclassification

During the current year it was noted that the Neighborhood development grant as well as the National electrification grant was incorrectly allocated as Operating grants while it should have been allocated under Capital Grants. The effect of the reclassification is as follows:

Decrease in Operating grants	-	51,535,723
Increase in Capital Grants	-	(51,535,723)
	-	-

Equitable Share

Current year receipts	622,989,000	596,652,000
Conditions met - transferred to revenue	(622,989,000)	(596,652,000)
	-	-

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

Fuel levy

Current-year receipts	272,691,000	260,928,000
Conditions met - transferred to revenue	(272,691,000)	(260,928,000)
	-	-

The fuel levy is allocated to the entity from the General Fuel Levy Revenue Fund.

Notes to the Consolidated Annual Financial Statements

Figures in Rand	2017	2016

38. Government grants and subsidies (continued)

City of Ghent - Youth Development Grant

Balance unspent at beginning of year	825,516	550,146
Current-year receipts	-	576,335
Conditions met - transferred to revenue	(343,566)	(300,965)
	481,950	**825,516**

Conditions still to be met - remain liabilities (see note 20).

The grant is given by the City of Ghent for youth development.

Financial Management Grant

Current-year receipts	3,310,000	1,300,000
Conditions met - transferred to revenue	(3,310,000)	(1,300,000)
Incorporation of former Naledi Local Municipality*	591,737	-
Surrendered to National Treasury	(591,737)	-
	-	-

The purpose of the grant is to promote and support reforms to financial management and the implementation of the MFMA.

* The balance relates to the transfer of functions between entities not under common control. Refer to note 40 for further details.

Municipal accreditation project funding - Housing grant

Balance unspent at beginning of year	1,312,966	3,628,261
Conditions met - transferred to revenue	(1,312,966)	(2,315,295)
	-	**1,312,966**

Conditions still to be met - remain liabilities (see note 20).

The grant is allocated to the entity to finance and support the entity accreditation project as well as capacity development.

Municipal Human Settlement Capacity grant

Balance unspent at beginning of year	2,784,685	-
Current-year receipts	3,003,228	9,206,000
Conditions met - transferred to revenue	(3,004,513)	(6.421,315)
Surrendered to National Treasury	(2,783,400)	-
	-	**2,784,685**

Conditions still to be met - remain liabilities (see note 20).

To build capacity in municipalities to deliver and subsidise the operational costs of administering human settlement programmes.

National Electrification Programme Grant

Current-year receipts	8,500,000	30,000,000
Conditions met - transferred to revenue	(8,500,000)	(30,000,000)
Incorporation of the former Naledi Local Municipality*	168,000	-
Surrendered to National Treasury	(168,000)	-
	-	-

The grant is used to address the electrification backlog of permanently occupied residential dwellings, the installation of bulk infrastructure and the rehabilitation of electrification infrastructure. The grant is implemented by the municipal entity, Centlec (SOC) Limited.

* The balance relates to the transfer of functions between entities not under common control. Refer to note 40 for further details.

Notes to the Consolidated Annual Financial Statements

Figures in Rand	2017	2016

38. Government grants and subsidies (continued)

Sports, Arts & Culture - Admin libraries

	2017	2016
Balance unspent at beginning of year	3,291,174	2,000,000
Current-year receipts	2,000,000	2,000,000
Conditions met - transferred to revenue	(4,663,859)	(708,826)
	627,315	**3,291,174**

Conditions still to be met - remain liabilities (see note 20).

The purpose of the grant is to fund the administration of public libraries within the Mangaung Metropolitan Municipality area.

Municipal Systems Improvement Grant

	2017	2016
Incorporation of the former Naledi Local Municipality*	45,483	-
Surrendered to National Treasury	(45,483)	-
	-	**-**

* The balance relates to the transfer of functions between entities not under common control. Refer to note 40 for further details.

Expanded Public Works Programme Incentive grant

	2017	2016
Balance unspent at beginning of year	-	38,641
Current-year receipts	5,151,000	3,097,000
Conditions met - transferred to revenue	(1,857,930)	(3,135,641)
Incorporation of former Naledi Local Municipality*	369,343	-
Surrendered to National Treasury	(369,343)	-
	3,293,070	**-**

Conditions still to be met - remain liabilities (see note 20).

The purpose of the grant is to expand work creation efforts through the use of labour incentives delivery methods in identified focus areas, in compliance with Expanded Public Works Programme (EPWP) guidelines.

* The balance relates to the transfer of functions between entities not under common control. Refer to note 40 for further details.

Integrated City Development grant

	2017	2016
Balance unspent at beginning of year	96,234	-
Current-year receipts	10,912,000	10,157,000
Conditions met - transferred to revenue	(6,053,932)	(10,060,766)
Surrendered to National Treasury	(96,234)	-
	4,858,068	**96,234**

Conditions still to be met - remain liabilities (see note 20).

The purpose of the grant is to provide a financial incentive for metropolitan municipalities to achieve a more compact urban spatial form through integrating and focusing their use of available infrastructure investment and regulatory instruments.

Notes to the Consolidated Annual Financial Statements

Figures in Rand	2017	2016

38. Government grants and subsidies (continued)

Neighbourhood Development Grant

Balance unspent at beginning of year	32,240,277	-
Current-year receipts	36,775,000	53,776,000
Conditions met - transferred to revenue	(694,053)	(21,535,723)
Surrendered to National Treasury	(32,240,277)	-
	36,080,947	**32,240,277**

Conditions still to be met - remain liabilities (see note 20).

This grant is to be used for the development of urban network plans, to improve the quality of life and access of residents in under-served neighbourhoods.

Public Transport Infrastructure and Network Systems Grant

Balance unspent at beginning of year	-	21,133,200
Current-year receipts	200,142,000	48,128,000
Conditions met - transferred to revenue	(177,913,483)	(63,072,200)
Surrendered to National Treasury	-	(6,189,000)
	22,228,517	**-**

Conditions still to be met - remain liabilities (see note 20).

The grant is allocated to the entity to improve public transport infrastructure and systems, in accordance with agreed project plans.

Sustainable Human Settlement Grant

Balance unspent at beginning of year	1,595,782	-
Current-year receipts	-	2,598,026
Conditions met - transferred to revenue	-	(1,002,244)
	1,595,782	**1,595,782**

Conditions still to be met - remain liabilities (see note 20).

The grant is used to supplement the capital revenues of metropolitan municipalities in order to support the national human settlements development programme, focusing on poor households.

Urban Settlement Development Grant

Balance unspent at beginning of year	58,643,843	77,535,555
Current-year receipts	725,003,000	693,847,000
Conditions met - transferred to revenue	(701,417,636)	(712,738,712)
	82,229,207	**58,643,843**

Conditions still to be met - remain liabilities (see note 20).

The purpose of the grant is to supplement the capital revenues of metropolitan municipalities in order to support the national human settlements development programme, focusing on poor households.

Figures in Rand	2017	2016

38. Government grants and subsidies (continued)

Department Telecom and Postal Services

Balance unspent at beginning of year	5,292,842	-
Current-year receipts	-	5,292,842
Conditions met - transferred to revenue	(1,159,288)	-
	4,133,554	**5,292,842**

Conditions still to be met - remain liabilities (see note 20).

The purpose of the grant is to develop information and communication technology (ICT) policies and legislation that create favourable conditions for accelerated and shared sustainable economic growth that positively impacts on the wellbeing of all South Africans.

Municipal Infrastructure Grant

Incorporation of the former Naledi Local Municipality*	3,972,915	-
Surrendered to National Treasury	(3,972,915)	-
	-	-

* The balance relates to the transfer of functions between entities not under common control. Refer to note 40 for further details.

Demand Side Management Grant

Current-year receipts	7,000,000	-
Conditions met - transferred to revenue	(7,000,000)	-
	-	-

The grant is allocated to municipalities to implement Energy Efficiency and Demand Side Management initiatives within municipal infrastructure in order to reduce electricity consumption and improve energy efficiency.

Municipal Demarcation Transition Grant

Current year receipts	10,742,000	-
Incorporation of the former Naledi Local Municipality*	2,686,000	-
Conditions met - transferred to revenue	(4,996,774)	-
	8,431,226	-

Conditions still to be met - remain liabilities (see note 20).

* The balance relates to the transfer of functions between entities not under common control. Refer to note 40 for further details.

The purpose of the grant is to subsidise the additional institutional and administrative costs arising from major boundary changes that took effect at the time of the 2016 local government elections.

Municipal Water Infrastructure - Department of Water Affairs

Incorporation of the former Naledi Local Municipality*	1,032,519	-
Surrendered to National Treasury	(1,032,519)	-
	-	-

* The balance relates to the transfer of functions between entities not under common control. Refer to note 40 for further details.

Changes in level of government grants

Based on the allocations set out in the Division of Revenue Act, (Act 3 of 2017), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

Notes to the Consolidated Annual Financial Statements

Figures in Rand	2017	2016

39. Other income from non-exchange transactions

Capital public contributions, donations and asset gains	3,800,867	26,705,990
Operating public contributions and donations	30,000	-
Unclaimed deposits and stale cheques	1,399,081	3,563,646
	5,229,948	**30,269,636**

Notes to the Consolidated Annual Financial Statements

Figures in Rand	2017	2016

40. Gain from transfer of functions between entities not under common control

Transfer of the former Naledi Local Municipality and the community of Ikgometseng/Soutpan

On 6 August 2016 Mangaung Metropolitan Municipality acquired all the functions of the former Naledi Local Municipality and the community of Ikgometseng/Soutpan which resulted in the entity obtaining control over the former Naledi Local Municipality.

The transfer was effected by the local government elections which took place on 3 August 2016 and also through the Municipal Demarcation Board Circular 8/2015: Re-determination of municipal boundaries: Free State. The above resulted in the re-determination of the municipal boundaries to include those of former Naledi Local Muncipality as well as the community of Ikgometsen/Soutpan. As a result of the acquisition the customer base of the municipality including the municipal boundaries have increased significantly. It is also expecting an increase in the indigents for Mangaung due to the majority of the residents of these areas being unemployed.

The amounts recognised as of the acquisition date for each major class of assets acquired and liabilities assumed

Current assets	**Transferred to Mangaung**	
Inventories	58,517	-
Consumer receivables from exchange transations - Electricity related	3,828,779	-
Consumer receivables from exchange transations	46,453,032	-
Consumer receivables from non-exchange transaction	13,401,779	-
VAT (Payable)/Receivable	1,045,963	-
Cash and cash equivalents	4,362,110	-
Non-current assets		
Property, plant and equipment - Land	50,813,964	-
Property, plant and equipment - Buildings	23,954,210	-
Property, plant and equipment - Infrastructure - Electrical	38,714,466	-
Property, plant and equipment - Infrastructure - Roads and roads related	876,281,552	-
Property, plant and equipment - Infrastructure - Water and water related	73,104,450	-
Property, plant and equipment - Infrastructure - Sanitation	53,903,714	-
Property, plant and equipment - Community Landfill sites and quarries	14,221,556	-
Property, plant and equipment - Community assets	17,875,834	-
Property, plant and equipment - Fleet	785,471	-
Property, plant and equipment - Movables	298,876	-
Heritage assets	6,200,000	-
Non-current receivables	115,487	-
Current liabilities		
Payables from exchange transactions	(17,226,303)	-
Unspent conditional grants and receipts	(8,865,997)	-
Centlec payable	(20,497,275)	-
Finance lease liability	(1,912)	-
Consumer deposits	(1,060,888)	-
Contingent liabilities assumed	(11,000,000)	-
Non-current liabilities		
Non-current financial liabilities	(175,382)	-
Employee benefit obligation	(3,679,000)	-
Provisions	(13,175,298)	-
	1,149,737,705	-

Contingent liabilities and contingent assets assumed or acquired in the transfer of functions

A contingent liability of R 11,000,000 has been recognised for court cases against the former Naledi Local Muncipality. The final outcome of the cases is expected during the 2017/18 financial year . The potential undiscounted cash flows which could arise as a result of the court case are expected to be between R 10,000,000 and R 15,000,000 and are expected to be paid by no later than the end of the 2017/18 financial year. No reimbursements are expected against this amount.

Non-controlling interest

There is no non-controlling interest in the acquiree as the entity obtained 100% of the former Naledi Local Muncipality and the town of Ikgomotseng/Soutpan.

Residual interest as part of the consideration paid

There was no consideration paid for the transfer of function.

40. Gain from transfer of functions between entities not under common control (continued)

Receivables acquired

Receivables acquired per major class are as follows, as at acquisition date:

	2017		
	Fair value of the receivables	The gross contractual amounts receivable	The best estimate at the acquisition date of the contractual cash flows not expected to be collected
Electricity	3,828,779	3,828,779	-
Water	15,604,182	15,604,182	13,010,179
Refuse removal	12,919,269	12,919,269	12,026,667
Sewerage	16,740,396	16,740,396	15,374,259
Sundries	1,800,776	1,800,776	1,758,466
Property rates	13,401,779	13,401,779	10,388,317
Total	**64,295,181**	**64,295,181**	**52,557,888**

Acquisition related costs

The acquisition related costs for the current year amounted to R 4,996,774. Refer to note 38 for details relating to the Municipal Demarcation Grant received. These costs have been expensed in the year of acquisition and are included in government grants and subsidies in statement of financial performance.

The funds for the financing of acquisition related costs were received from National Treasury with a total amount of R 13,428,000 being received and a balance of R 8,431,226 unspent (Refer to note 20). The balance is to be expensed during the 2017/18 financial year.

Revenue of the former Naledi Local Municipality and the community of Ikgometseng/Soutpan

Revenue of R 35,597,242 has been included in the entity's results since the date of acquisition. Refer to notes 33 and 37 for further details.

Initial accounting incomplete

The initial accounting for the transfer of function was incomplete as the verification process of all assets and liabilities was not completed before the annual financial statements were authorised for issue.

Transfer of function achieved in stages

The transfer of function was not achieved in stages. The acquisition date for the transfer was 6 August 2016, following the release of the results of the municipal elections held on 3 August 2016.

41. Employee related costs

	2017	2016
Basic salaries and wages	1,010,899,558	890,940,299
Bonus accrual - 13th cheques	1,476,452	1,059,822
Contributions to medical aid	85,010,454	75,143,027
Contributions to pension funds	143,903,809	132,614,774
Contributions to UIF	7,441,438	7,138,133
Defined benefit plan - current service costs	46,190,000	36,257,000
Housing benefits and allowances	5,514,247	11,430,213
Leave pay accrual	19,515,262	29,126,827
Overtime payments	173,783,328	151,400,398
Travel, motor car, accommodation, subsistence and other allowances	111,943,778	92,004,251
	1,605,678,326	**1,427,114,744**

Figures in Rand	2017	2016

41. Employee related costs (continued)

Remuneration of Accounting Officer (Adv. TB Mea)

Annual Remuneration	1,629,841	945,537
Car and Other Allowances	412,571	107,250
Contributions to UIF, Medical and Pension Funds	211,043	89,570
	2,253,455	**1,142,357**

The position had an official acting from 15 December 2015 until 28 February 2017.
During March 2017 the official acted in the position of Executive Director - Strategic Projects and Service Delivery Regulations.
From 1 April 2017 the official was appointed as City Manager.

Remuneration of Accounting Officer (SM Mazibuko)

Annual Remuneration	-	1,840,731
Car and Other Allowances	-	178,515
Contributions to UIF, Medical and Pension Funds	-	51,826
	-	**2,071,072**

The former accounting officer was placed on suspension with full pay and benefits from 15 December 2015 to 29 February 2016, the date of her resignation.

Remuneration of the Chief Financial Officer (EM Mohlahlo)

Annual Remuneration	1,522,561	1,576,052
Car and Other Allowances	475,040	481,620
Contributions to UIF, Medical and Pension Funds	55,777	60,413
	2,053,378	**2,118,085**

Remuneration of Executive Director - Corporate Services (M Ramaema)

Annual Remuneration	1,457,406	1,453,561
Car and Other Allowances	259,200	474,365
Contributions to UIF, Medical and Pension Funds	283,776	242,374
	2,000,382	**2,170,300**

Remuneration of Executive Director - Social Services (MG Nkungwana)

Annual Remuneration	229,015	-
Car and Other Allowance	49,800	-
Contributions to UIF, Medical and Pension Funds	67,180	-
	345,995	-

The official was appointed as Executive Director - Social Services from 1 April 2017.

Remuneration of Executive Director - Social Services (E Radebe)

Annual Remuneration	1,040,541	1,486,675
Car and Other Allowances	325,773	252,925
Contributions to UIF, Medical and Pension Funds	215,584	307,380
	1,581,898	**2,046,980**

The former Executive Director - Social Services' contract expired after which she acted in the position until 31 March 2017.

Figures in Rand	2017	2016

41. Employee related costs (continued)

Remuneration of Acting Executive Director - Planning (MJ Kumalo)

Annual Remuneration	451,789	838,808
Car and Other Allowances	285,734	115,678
Contributions to UIF, Medical and Pension Funds	115,992	140,610
	853,515	**1,095,096**

The position had an official acting from 27 October 2015.

Remuneration of Executive Director - Economic Development & Planning (TA Maine)

Annual Remuneration	311,396	-
Car and Other Allowances	77,362	-
Contributions to UIF, Medical and Pension Funds	89,769	-
	478,527	-

The position was vacant from May 2015, The above official acted from 7 March 2017 to 31 March 2017, then the official was appointed on the position from 1 April 2017.

Remuneration of Executive Director - Engineering (M Ndlovu)

Annual Remuneration	132,050	-
Car and Other Allowances	90,920	-
Contributions to UIF, Medical and Pension Funds	2,463	-
	225,433	-

The official was appointed as Executive Director - Engineering from 1 May 2017

Remuneration of Executive Director - Engineering Services (L Ntoyi)

Annual Remuneration	1,148,148	1,557,597
Car and Other Allowances	360,012	439,200
Contributions to UIF, Medical and Pension Funds	52,692	59,619
	1,560,852	**2,056,416**

The former Executive Director - Engineering's contract expired after which he acted in the position until 31 March 2017.

Remuneration of Executive Director - Waste & Fleet Management (S More)

Annual Remuneration	1,218,478	131,015
Car and Other Allowances	541,557	6,000
Contributions to UIF, Medical and Pension Funds	19,357	1,516
	1,779,392	**138,531**

The official acted in the position from 1 June 2016 until 28 February 2017.
During March 2017 the official acted in the position of City Manager.
From 1 April 2017 the official was appointed as the Executive Director - Waste & Fleet Management.

Remuneration of Executive Director - Strategic Projects and Service Delivery (G Mohlakoana)

Annual Remuneration	2,300,913	1,759,640
Car and Other Allowances	239,400	199,200
Contributions to UIF, Medical and Pension Funds	61,442	64,720
	2,601,755	**2,023,560**

Notes to the Consolidated Annual Financial Statements

Figures in Rand	2017	2016

41. Employee related costs (continued)

Remuneration of Acting Executive Director - Strategic Projects and Service Delivery (TA Makhetha)

Annual Remuneration	-	283,059
Car and Other Allowances	-	91,848
Contributions to UIF, Medical and Pension Funds	-	54,236
	-	**429,143**

The official acted in the position of Executive Director - Strategic Projects and Service Delivery from 1 July 2015 to 31 October 2015 while the Executive Director was acting in the position of Executive Director - Planning.

Remuneration of Executive Director - Human Settlements and Housing (Adv. MJN Phaladi)

Annual Remuneration	132,049	-
Car and Other Allowances	79,037	-
Contributions to UIF, Medical and Pension Funds	14,172	-
	225,258	-

The official was appointed as Executive Director - Human Settlements and Housing from 1 May 2017.

Remuneration of Executive Director - Human Settlements and Housing (M Mokoena)

Annual Remuneration	1,155,490	1,511,705
Car and Other Allowances	149,400	199,200
Contributions to UIF, Medical and Pension Funds	303,122	386,090
	1,608,012	**2,096,995**

The former Executive Director - Human Settlements and Housing's contract expired after which he acted in the position until 31 March 2017.

Remuneration of Executive Director - Plannning (BS Mthembu)

Annual Remuneration	132,050	-
Car and Other Allowances	90,920	-
Contributions to UIF, Medical and Pension Fund	2,463	-
	225,433	-

The official acted in the position from 7 March 2017 to 31 March 2017 and appointed in the position from 1 May 2017.

42. Remuneration of councillors

Councillors allowance	39,448,372	34,360,568
Councillors pension contributions	1,659,245	3,430,259
Councillors medical aid contributions	429,200	499,796
Travel allowance	11,779,498	11,556,077
Cell phone allowances	2,651,155	2,432,467
Housing allowance	61,433	142,492
	56,028,903	**52,421,659**

In-kind benefits

The Executive Mayor, Deputy Executive Mayor, Speaker, Chief Whip and Mayoral Committee Members are full-time employees of the entity and each is provided with an office and secretarial support at the cost of the Council.

The Mayor and the Deputy Executive Mayor each have the use of separate Council owned vehicles for official duties.

The new council was inaugurated on 18 August 2016 following the municipal elections held on 3 August 2016.

The disclosure below indicates the remuneration of both the former as well as the current office bearers.

Notes to the Consolidated Annual Financial Statements

Figures in Rand	2017	2016

42. Remuneration of councillors (continued)

Executive Mayor

	2017	2016
Councillors allowance	1,168,290	798,937
Councillors pension contributions	9,941	115,590
Cell phone allowance	44,120	45,420
Medical aid contributions	1,858	17,280
Travel allowance	47,459	310,602
	1,271,668	**1,287,829**

Deputy Executive Mayor

	2017	2016
Councillors allowance	561,525	589,066
Councillors pension contributions	85,760	84,927
Cell phone allowance	40,040	41,635
Housing allowance	16,500	-
Medical aid contributions	15,840	15,840
Travel allowance	226,542	229,944
	946,207	**961,412**

The late former deputy executive mayor received her salary until 31 May 2016.

Speaker

	2017	2016
Councillors allowance	789,446	947,867
Cell phone allowance	43,949	45,420
Housing allowance	38,246	38,246
Medical aid contributions	17,280	17,280
Travel allowance	146,328	-
	1,035,249	**1,048,813**

Chief Whip

	2017	2016
Councillors allowance	618,567	616,285
Councillors pension contributions	87,950	89,225
Cell phone allowance	26,400	24,468
Travel allowance	232,484	235,170
	965,401	**965,148**

Mayoral committee members

	2017	2016
Councillors allowance	5,657,425	5,114,481
Councillors pension contributions	226,428	738,838
Cell phone allowance	229,919	210,017
Housing allowance	6,687	80,246
Medical aid contributions	94,746	133,189
Travel allowance	1,994,256	2,018,777
	8,209,461	**8,295,548**

Councillors

	2017	2016
Councillors allowance	30,756,453	26,293,932
Councillors pension contributions	1,249,166	2,401,680
Cell phone allowance	2,275,902	2,065,507
Housing allowance	2,000	24,000
Medical aid contributions	299,476	316,207
Travel allowance	9,192,496	8,761,583
	43,775,493	**39,862,909**

Figures in Rand	2017	2016

43. Depreciation and amortisation

Property, plant and equipment	897,148,435	690,786,271
Intangible assets	12,124,512	14,465,188
	909,272,947	**705,251,459**

44. Impairment of assets

Impairments

Property, plant and equipment The recoverable amount of the asset was assessed at the end of the financial year and it was found to be less than the carrying amount of the asset and an impairment loss was raised.	4,223,270	3,941,664
Inventories An assessment of the net realisable value against cost was performed and inventory was adjusted.	(540,774)	1,749,938
	3,682,496	**5,691,602**

45. Finance costs

Defined benefit obligation	67,606,000	60,753,000
Finance leases	9,558,755	9,125,933
Non-current borrowings	104,364,094	71,172,617
Trade and other payables	234,408	7,774
	181,763,257	**141,059,324**

46. Debt impairment

Bad debts written off	676,656,978	249,534,738
Impairment of receivables	(13,271,309)	113,664,890
	663,385,669	**363,199,628**

Due to the implementation of mSCOA and application of the guidance issued by National Treasury, the disclosure for bad debts written off and impairment of receivables have been separately disclosed and applied retrospectively.

47. Repairs and maintenance

Repairs and maintenance	397,507,138	550,539,165

The amount of R 397,507,138 was incurred in repairing and maintaining property, plant and equipment as disclosed in note 12.

48. Bulk purchases

Electricity	1,452,060,931	1,339,120,718
Water	454,557,547	419,812,317
	1,906,618,478	**1,758,933,035**

Notes to the Consolidated Annual Financial Statements

Figures in Rand	2017	2016

49. Contracted services

Audit fees	21,499,773	22,562,976
Consultant fees	26,268,849	69,593,650
Contractors fees	12,687,647	9,924,764
Debt collection fees	50,646,948	41,051,267
IPTN	99,246,845	90,732,485
Integrated call centre	9,920,692	9,920,692
Internal audit fees	4,100,693	3,862,925
Investigations	2,331,867	1,493,929
Meter reading services	23,526,667	42,723,469
Meter replacement	-	12,846,872
Refuse removal	37,459,682	46,441,425
Security services	45,056,551	50,532,929
Other Contractors	96,346,364	92,940,648
	429,092,578	**494,628,031**

50. Grants and subsidies paid

Bursaries paid to employees	1,956,240	1,983,746
Central Agricultural Society	11,852	11,288
Free electricity services	3,363,318	2,472,722
Miscellaneous grants	-	271,944
SPCA	479,512	456,678
	5,810,922	**5,196,378**

Bursaries paid to employees:
Bursaries are paid to employees in accordance with the approved study scheme.

Central Agricultural Society:
The payments to the society is for the maintenance of Council's property at the show grounds which are used in accordance with an agreement with the society.

Free electricity services:
The free electricity provided by Eskom is recoverable from the equitable share grant.

Miscellaneous grants:
These grants are allocated mainly for ad hoc grants and the free use of Council facilities, as approved during the year.

SPCA - Society for the Prevention of Cruelty to Animals:
The subsidy is paid annually to the society to assist them in performing their tasks.

Notes to the Consolidated Annual Financial Statements

Figures in Rand	2017	2016

51. General expenses

Animal Costs	1,204,534	3,010,526
Bank charges and commissions	8,779,169	8,200,540
Chemicals	5,047,751	5,259,375
Cleaning	572,468	856,736
Commission paid	80,292,936	83,217,704
Community development projects	9,399,387	2,216,111
Conferences and seminars	303,242	9,841,261
Consumables	15,742,146	13,219,440
Corporate Social Investment	3,501,066	3,496,678
Discount allowed	1,563,765	1,808,835
Electricity	4,299,201	2,810,069
Entertainment	164,172	577,280
Financial management grant projects	3,310,000	1,680,428
Fuel and oil	24,360,792	32,474,908
Hire	2,062,869	4,780,857
Indigent burials	1,612,213	1,680,163
Insurance	43,028,367	38,210,364
Inventory management system	-	3,562,628
Lease rentals on operating leases	5,776,291	3,474,925
Legal fees	17,426,969	28,706,767
Licence fees	16,021,552	9,885,021
Marketing and advertising	9,821,988	16,113,001
Motor vehicle expenses	18,683,900	15,771,888
Operating lease expenditure	5,041,629	7,758,590
Penalties and interest	7,416,993	454,160
Postage and courier	7,991,589	6,535,353
Printing and stationery	8,246,845	11,604,987
Reconnection test and removal of meters	-	3,157,378
Refreshments	390,211	950,217
Skills development levy	13,667,169	11,270,142
Software expenses	-	1,941,767
Special projects and public participation	12,709,811	32,197,351
Staff welfare	1,549,969	914,379
Subscriptions and membership fees	15,433,893	12,030,319
Telephone, fax and network charges	21,922,737	20,067,852
Title deed search fees	4,496,991	8,071,311
Tools, plant and equipment	344,332	509,555
Tourism development	-	485,547
Training	5,375,424	17,144,935
Travel - local	879,335	2,034,631
Vacuum services	-	61,754
Water	117,813	656,467
Water research	2,977,470	3,192,602
Workmans Compensation	-	3,453,732
Sundry expenses	26,473,913	34,116,133
	408,010,902	**469,464,667**

52. Fair value adjustments

Investment property (Fair value model)	91,236,863	(138,649,363)
Other financial assets		
• Other financial assets (Designated as at FV through surplus or deficit)	(5,607)	(304,778)
	91,231,256	**(138,954,141)**

Notes to the Consolidated Annual Financial Statements

Figures in Rand	2017	2016

53. Taxation

Major components of the tax income

Current		
Local income tax - current period	-	-
Local income tax - recognised in current tax for prior periods	72,637,974	88,673,501
	72,637,974	**88,673,501**
Deferred		
Originating and reversing temporary differences	60,251,866	71,406,591
Prior year - (Over) / Under provision	(72,637,974)	(88,673,501)
Assessed loss used	135,855,158	60,161,195
Assessed loss raised	(220,387,849)	(135,855,158)
	(96,918,799)	**(92,960,873)**
	(24,280,825)	**(4,287,372)**

Reconciliation of the tax expense

Reconciliation between accounting surplus and tax expense.

Accounting surplus (deficit)	1,105,018,574	(283,814,638)
Tax at the applicable tax rate of 28% (2016: 28%)	309,405,201	(79,468,099)
Tax effect of adjustments on taxable income		
Non-taxable income	(2,087,719)	(7,368,421)
Non-deducatble expenses	7,051,021	2,321,376
Tax effect of intercompany transactions*	(338,649,328)	80,227,772
	(24,280,825)	**(4,287,372)**

*The intercompany transactions have an effect on the tax expense reconciliation due to the different tax statuses between the controlled and the controlling entity. The controlled entity, Centlec (SOC) Limited, is liable for taxation at 28%, while the controlling entity is not liable for tax. The elimination of intercompany transactions therefore has an effect on the reconciliation between the surplus/deficit and the taxable income.

The municipal entity was granted exemption from income tax in terms of Section 10(1)(t)(v)(iii) of the Income Tax Act, (Act 58 of 1962) on the 27 August 2012 which was effective until the year of assessment commencing on or before 1 January 2014.

Management has engaged the South African Revenue Serivice (SARS) and National Treasury on the transition to a fully taxable entity. Given the complex nature of municipal infrastructure assets that are not subject to tax, SARS has undertaken to assist the municipal enitty in its transition to a fully taxable entity with specific reference to the tax treatment of assets that are not provided for in SARS' practice and interpretation notes.

Income tax was accounted for in terms of the principles set out in International Accounting Standard 12.

Notes to the Consolidated Annual Financial Statements

Figures in Rand	2017	2016

54. Cash generated from operations

Surplus (deficit)	1,129,299,399	(279,527,266)
Adjustments for:		
Depreciation and amortisation	909,272,947	705,251,459
Gain on sale of assets and liabilities	14,892,960	11,173,708
Fair value adjustments	(91,231,256)	138,954,141
Finance costs - Finance leases	9,558,755	9,125,933
Finance costs - Borrowings	104,364,094	71,172,617
Impairment loss	3,682,496	5,691,602
Interest received - Investments	(16,987,859)	(31,108,031)
Interest received - Long term debtors	(1,588,486)	(1,711,667)
Movements in operating lease assets and accruals	(97,893)	(302,616)
Movements in retirement benefit assets and liabilities	106,900,000	84,095,000
Movements in provisions	(18,135,613)	31,926,681
Annual charge for deferred tax	(24,280,844)	(4,287,372)
Public contributions and asset gains	(3,800,867)	(26,705,990)
Unwinding of FRESHCO liability	(10,544,397)	(10,394,123)
Gain on transfer of functions between entities not under common control	(1,149,737,705)	-
Changes in working capital:		
Inventories	13,685,614	(76,168,508)
Other receivables from exchange transactions	6,237,930	(9,162,975)
Other receivables from non-exchange transactions	4,454,092	(3,644,047)
Consumer receivables from exchange transactions	(223,686,983)	(223,569,323)
Consumer receivables from non-exchange transactions	(49,267,538)	40,958,947
Payables from exchange transactions	41,166,729	505,864,858
VAT	44,430,666	102,497,199
Payables from non-exchange transactions	4,610,162	6,784,847
Unspent conditional grants and receipts	49,010,320	(1,400,510)
	852,206,723	**1,045,514,564**

Notes to the Consolidated Annual Financial Statements

Figures in Rand	2017	2016

55. Commitments

Commitments in respect of capital expenditure

Approved and contracted for		
• Infrastructure assets	413,906,573	608,414,294
• Other asset classes	86,244,800	62,320,131
	500,151,373	**670,734,425**
The capital expenditure will be financed from		
• Unspent conditional grants and receipts	163,959,636	106,083,319
• Borrowings	127,645,633	433,178,408
• Own resources	208,546,104	131,472,698
	500,151,373	**670,734,425**

Commitments are disclosed exclusive of VAT.

Operating leases - as lessee (expense)

Minimum lease payments due		
- within one year	1,473,945	1,409,717
- in second to fifth year inclusive	349,200	723,345
	1,823,145	**2,133,062**

Operating lease payments represent rentals payable by the entity for certain of its office properties. Leases are negotiated for an average term of three to five years and rentals are fixed for an average of three years. The lease agreements have escalations of 8% to 10% per annum. There are no renewal purchase options. No contingent rent is payable.

Operating leases - as lessor (income)

Minimum lease payments due		
- within one year	6,190,527	5,902,580
- in second to fifth year inclusive	26,390,189	21,399,494
- later than five years	29,366,381	32,981,912
	61,947,097	**60,283,986**

The entity leases various fixed properties under non-cancellable operating leases to various institutions. The lease agreements have escalations between 8 and 12% per year with the agreements varying between 2 to 50 years. Rental income, for these agreements, to the value of R 24,270,459 (2016: R 19,371,904) has been recognised in the Statement of Financial Performance during the year. Renewal options have been taken into account during the calculation of the deferred lease. There are no purchase options. There was no contingent rent during the year.

Notes to the Consolidated Annual Financial Statements

Figures in Rand	2017	2016

56. Contingencies

Housing guarantees

The entity has provided housing guarantees for bonds of municipal officials. The certainty and the timing of the outflow of these guarantees are uncertain. The amounts disclosed below are the possible outflow amounts

Housing guarantees	3,661,668	3,611,511

Contingent liabilities

The entity is involved in the following pending claims. All the claims are being contested based on legal advice. The certainty and the timing of the outflow of these liabilities are uncertain. The amounts disclosed below are possible outflow amounts:

Probable legal costs to be incurred for various matters handled by various attorneys	4,598,193	6,881,720
Labour cases and employee related matters	6,460,002	5,176,919
Claims by individuals due to property damages in various incidents	175,000	175,000
Claims by individuals due to various incidents	20,324,131	58,158,544
Claims from suppliers due to contractual disputes	50,750,000	51,232,481
Bloemwater dispute on the drought tariff charged	162,850,060	-
	245,157,386	**121,624,664**

57. Related parties

Relationships	
Accounting Officer	Adv TB Mea
Controlled entity	Centlec (SOC) Limited

Related party transactions

Operating expense transactions with related parties

Sentech (SOC) Ltd	4,893,793	4,214,637

Business transactions took place between the municipal entity and Sentec (SOC) Ltd. Mr J A Mongake, a director of the municipal entity, is also a director of Sentech (SOC) Ltd. The nature of the transactions is in the form of the municipal entity having a service level agreement with Sentech (SOC) Ltd to provide information technology related services.

Key management information

No transactions took place between the entity and key management personnel or their close family members during the reporting period.

Details relating to remuneration are disclosed in note 41 for key management and note 42 for councillors.

57. Related parties (continued)

Remuneration of management

Municipal entity's director's emoluments

2017

	Director's fees	Contributions to UIF	Contributions to SDL	Total
Non-executive directors				
Mr N Mokhesi (Chairperson)	371,085	1,492	3,711	376,288
Me D Myeni (Deputy Chairperson)	179,920	1,190	1,799	182,909
Me ZC Uwah	146,971	1,470	1,470	149,911
Mr CAK Choeu	146,971	1,470	1,470	149,911
Mr KM Moroka	146,971	1,470	1,470	149,911
Mr MI Seoe	66,805	668	668	68,141
Me N Mochochoko	127,220	1,272	1,272	129,764
Mr Mohale	160,332	1,603	1,603	163,538
	1,346,275	**10,635**	**13,463**	**1,370,373**

2016

	Directors' fees	Contribution to UIF	Contribution to SDL	Total
Non-executive directors				
Mr N Mokhesi	136,134	860	227	137,221
Mr KM Moroka	136,134	860	227	137,221
Me ZC Uwah	136,134	860	227	137,221
Mr ML Mbali (Chairperson)	343,710	1,564	573	345,847
Me FP Zitha (Deputy Chairperson)	229,144	1,345	382	230,871
Mr TJ Mongake	75,630	860	227	76,717
Mr SG Xulu	136,134	860	227	137,221
Mr SM Zimu	75,630	860	227	76,717
	1,268,650	**8,069**	**2,317**	**1,279,036**

58. Change in estimate

Intangible assets

During the year, the municipal entity changed its accounting estimates with respect to intangible assets. In order to conform with the benchmark treatment of GRAP17, the municipal entity re-assessed the remaining useful lives of all intangible assets, which led to a change in the amortisation for the current year.

The aggregate effect of the changes in accounting estimate on the financial statements for the year ended 30 June 2017 is as follows:

Amortisation expense after remaining useful lives review		
Amortisation expense before remaining useful lives review	12,514,926	-
Future reduction in amortisation due to review	(1,610,662)	-
	10,904,264	-

Property, plant and equipment - Buildings

During the year, the municipal entity changed its accounting estimates with respect to building assets. In order to conform with the benchmark treatment of GRAP17, the municipal entity re-assessed the remaining useful lives of all building assets, which led to a change in the amortisation for the current year.

The aggregate effect of the changes in accounting estimate on the financial statements for the year ended 30 June 2017 is as follows:

Depreciation expense after remaining useful lives review		
Depreciation expense before remaining useful lives review	2,644,250	-
Future reduction in depreciation due to review	(75,443)	-
	2,568,807	-

Property, plant and equipment - Other assets

During the year, the municipal entity changed its accounting estimates with respect to other movable assets. In order to conform with the benchmark treatment of GRAP17, the municipal entity re-assessed the remaining useful lives of all building assets, which led to a change in the amortisation for the current year.

The aggregate effect of the changes in accounting estimate on the financial statements for the year ended 30 June 2017 is as follows:

Depreciation expense after remaining useful lives review		
Depreciation expense before remaining useful lives review	20,213,248	-
Future reduction in depreciation due to review	(4,326,598)	-
	15,886,650	-

59. Changes in accounting policy

Property, plant and equipment - Water meters

During the year, the entity changed its accounting policy with respect to the treatment of water meters. The entity changed the from the cost model to the revaluation model in order to provide more reliable and relevant information to the users of the financial statements.

Statement of financial position		
Decrease in Cost of PPE - Infrastructure - Water meters	-	(176,740,391)
Decrease in Accumulated depreciation - Infrastructure - Water meters	-	90,457,034
Decrease in Accumulated surplus	-	107,743,217
Statement of financial performance		
Increase in Repairs and maintenance	-	20,248,356
Decrease in Depreciation	-	(23,491,469)
Decrease in Loss on disposal of assets and liabilities	-	(18,216,747)
	-	-

60. Prior period errors

Prior period errors were identified during the current year and corrected in line with GRAP 3 - Accounting Policies, Changes in Accounting Policies and Errors. The errors corrected were as follows:

1. Prior period error - Unrecorded liabilities

During the current year it was noted that some expenditure was not accrued for in the prior year. The effect of the restatement is as follows.

Statement of financial position		
Increase in Payables from exchange transactions - Trade payables	-	(11,563)
Statement of financial performance		
Increase in Repairs and maintenance	-	1,884
Increase in General expenditure - Chemicals	-	9,679
	-	-

2. Prior period error - VAT Apportionment

During the current year VAT was recovered for the apportionment of the 2016 VAT. The effect of the restatement is as follows:

Statement of financial position		
Increase in VAT Receivable	-	655,441
Statement of financial performance		
Decrease in General expenditure - Sundry expenses	-	(655,441)
	-	-

3. Prior period error - Classification of Market debtors

Market debtors were incorrectly classified as Payables. The effect of the restatement is as follows:

Statement of financial position		
Increase in Payables from exchange transactions - Other payables - Grants	-	(432,641)
Increase in Other receivables from exchange transactions - Sundry debtors	-	432,641
	-	-

4. Prior period error - Telephone accrual

During the current year it was noted that the telephone accrual for the prior year was duplicated. The effect of the restatement is as follows:

Statement of financial position		
Decrease in Payables from exchange transactions - Trade payables	-	1,379,087
Decrease in VAT Receivable	-	(123,614)
Statement of financial performance		
Decrease in General expenses - Telephone and fax	-	(1,255,473)
	-	-

Notes to the Consolidated Annual Financial Statements

60. Prior period errors (continued)

5. Prior period error - Disaster management centre

During the current year it was noted that a project related to the disaster management centre was not capitalised, but remained in WIP included in PPE. The effect of the restatement is as follows:

Statement of financial position		
Increase in Cost of PPE Buildings	-	7,903,510
Decrease in Cost of PPE - Community - WIP	-	(8,615,487)
Increase in Payables from exchange transactions - Trade payables	-	(489,645)
Increase in Intangible assets	-	1,201,622
Decrease in Accumulated surplus	-	354,310
Increase in Accumulated amortisation	-	(460,237)
Increase in Cost of PPE - Community assets	-	7,549
Increase in Accumulated depreciation - Buildings	-	(300,336)
Statement of financial performance		
Increase in Depreciation	-	158,390
Increase in Amortisation	-	240,324
	-	-

6. Prior period error - Sale of investment property

During the current year it was noted that a disposal of investment property was not accounted for. The effect of the restatement is as follows:

Statement of financial position		
Decrease in Investment property	-	(5,146,000)
Decrease in Accumulated surplus	-	5,310,000
Statement of financial performance		
Decrease in Fair value adjustment	-	(164,000)
	-	-

7. Prior period error - Investment property additions

Investment property was not previously recorded on the valuation roll. The effect of the restatement is as follows:

Statement of financial position		
Increase in Investment property	-	841,000
Increase in Accumulated surplus	-	(841,000)
	-	-

8. Prior period error - Owned fleet disposal

During the current year it was noted that the derecognition of fleet was not recorded in the asset registers. The effect of the restatement is as follows:

Statement of financial position		
Decrease in Cost of PPE - Fleet	-	(851,381)
Decrease in Accumulated depreciation - PPE Fleet	-	362,466
Decrease in Accumulated surplus	-	224,470
Statement of financial performance		
Decrease in Depreciation	-	(20,911)
Decrease in Impairment loss / reversal of impairment	-	(108,867)
Increase in Loss on disposal of assets and liabilities	-	394,223
	-	-

60. Prior period errors (continued)

9. Prior period error - Parks

During the current year the Parks asset register was reviewed and the following errors were noted:
- Projects included in WIP were not capitalised;
- Derecognition of certain parks was not recorded on the register.

The effect of the restatements are as follows:

Statement of financial position		
Increase in Cost of PPE - Community - Other (Parks)	-	8,263,798
Decrease in Accumulated depreciation - Community - Other (Parks)	-	332,272
Decrease in Cost of PPE - Community - WIP	-	(9,270,215)
Decrease in Accumulated surplus	-	534,113
Statement of financial performance		
Increase in Depreciation	-	216,140
Increase in Other income from non-exchange transactions	-	(76,108)
	-	-

10. Prior period error - Stadium - Johnson Bendile

Stadiums included in Sports grounds. The effect of the restatement is as follows:

Statement of financial position		
Decrease in Cost of PPE - Community - Other (Sports grounds)	-	(773,357)
Increase in Cost of PPE - Community - WIP	-	96,290
Increase in Cost of PPE - Community - Other (Sports stadiums)	-	773,357
Increase in Payables from exchange transactions - Trade payables	-	(96,290)
Increase in Accumulated depreciation - Community - Other (Sports stadiums)	-	(36,220)
Decrease in Accumulated depreciation - Community - Other (Sports grounds)	-	51,632
Statement of financial performance		
Increase in Depreciation - Sport stadiums	-	36,220
Decrease in Depreciation - Sports grounds	-	(51,632)
	-	-

11. Prior period error - Refurbishment of rental stock

During the the current year it was noted that repairs and maintenance included in WIP for Buildings should have been expensed in the prior year. The effect of the restatement is as follows:

Statement of financial position		
Decrease in Cost of PPE - Buildings WIP	-	(3,855,370)
Statement of financial performance		
Increase in Repairs and maintenance	-	3,855,370
	-	-

12. Prior period error - Land not on previous valuation roll

During the composition of the new valuation roll additional land portions were identified which were not previously recorded in the accounting records. The effect of the restatement is as follows:

Statement of financial position		
Increase in Cost of PPE - Land	-	85,233,100
Increase in Accumulated surplus	-	(85,233,100)
	-	-

60. Prior period errors (continued)

13. Prior period error - Community WIP expenditure

During the current year it was noted that expenditure were included in the WIP register which should have been expensed in prior years. The effect of the restatement is as follows:

Statement of financial position		
Decrease in Cost of PPE - Community - WIP	-	(257,074)
Decrease in Accumulated surplus	-	257,074
	-	-

14. Prior period error - Addition to Quarries

During the current year a new quarry was identified which had not been included in the asset registers.

The effect of the restatement is as follows:

Statement of financial position		
Increase in Cost of PPE - Community - Landfill sites and quarries	-	1,819,842
Increase in Accumulated surplus	-	(1,819,842)
Increase in Accumulated depreciation - Community - Landfill sites and quarries	-	(182,902)
Statement of financial performance		
Increase in Depreciation	-	182,902
	-	-

15. Prior period error - Project T1305 included in WIP

During the current year it was noted that a project which was included in WIP should have been capitalised in prior years. The effect of the restatement is as follows:

Statement of financial position		
Decrease in Cost of PPE - Infrastructure WIP	-	(66,956,557)
Increase in Cost of PPE - Infrastructure - Roads and roads related	-	54,794,228
Decrease in Accumulated surplus	-	10,576,071
Increase in Accumulated depreciation - Infrastructure - Roads and roads related	-	(1,915,442)
Statement of financial performance		
Increase in Loss on disposal of assets	-	774,519
Increase in Depreciation	-	2,727,181
	-	-

16. Prior period error - Expenditure included in Community WIP

During the current year it was noted that expenditure included in WIP should have been expensed in prior years. The effect of the restatement is as follows:

Statement of financial position		
Decrease in Cost of PPE - Community - WIP	-	(347,372)
Decrease in Accumulated surplus	-	347,372
	-	-

60. Prior period errors (continued)

17. Prior period error - Roads maintenance

During the current year repairs and maintenance related expenditure which was included in the Infrastructure WIP register were identified and expensed. The effect of the restatement is as follows:

Statement of financial position		
Decrease in Cost of PPE - Infrastructure - WIP	-	(12,916,502)
Statement of financial performance		
Increase in Repairs and maintenance	-	12,916,502
	-	-

18. Prior period error - Buildings

During the current year it was noted that an error occurred in the Land asset register and was therefore corrected. The effect of the restatement is as follows:

Statement of financial position		
Increase in Cost of PPE - Buildings	-	99,328
Increase in Accumulated surplus	-	(99,328)
Decrease in Cost of PPE - Buildings	-	(78,266)
Decrease in Accumulated surplus	-	78,266
	-	-

19. Prior period error - Infrastructure WIP projects not capitalised

During the current year it was noted that projects included in WIP should have been capitalised. The effect of the restatement is as follows:

Statement of financial position		
Increase in Cost of PPE - Infrastructure - Sanitation network	-	14,949,646
Decrease in Cost of PPE - Infrastructure - WIP	-	(14,949,646)
Increase in Accumulated depreciation - Infrastructure - Sanitation network	-	(2,620,840)
Decrease in Accumulated surplus	-	1,689,483
Statement of financial performance		
Increase in Depreciation	-	931,357
	-	-

20. Prior period error - Stadium

During the current year it was noted that a project included in WIP should have been capitalised. The effect of the restatement is as follows:

Statement of financial position		
Increase in Payables from exchange transactions - Trade payables	-	(44,041)
Increase in Cost of PPE - Community - Other	-	44,041
Increase in Accumulated depreciation of PPE - Community - Other	-	(3,452)
Statement of financial performance		
Increase in Depreciation	-	3,452
	-	-

60. Prior period errors (continued)

21. Prior period error - WIP register correction

During the current year it was noted that expenditure was included in the WIP register that should have been expensed during prior years. the effect of the restatement is as follows:

Statement of financial position		
Decrease in Cost of PPE - Infrastructure - WIP	-	(161,522)
Increase in Cost of PPE - Infrastructure - Santation network	-	161,522
Increase in Accumulated depreciation - Infrastructure - Sanitation network	-	(1,464)
Statement of financial performance		
Increase in Depreciation	-	1,464
	-	-

22. Prior period error - Stormwater

During the current year it was noted that the storm water infrastructure register was incomplete. A detailed register was recompiled and restated. The effect of the restatement is as follows:

Statement of financial position		
Increase in Cost of PPE - Infrastructure - Roads and roads related	-	813,902,865
Increase in Accumulated depreciation - Infrastructure - Roads and roads related	-	(225,526,577)
Increase in Accumulated surplus	-	(610,836,587)
Statement of financial performance		
Increase in Depreciation	-	22,460,299
	-	-

23. Prior period error - Xhariep receivable

During the incorporation of the former Naledi Local Municipality, it was noted that a receivable was due to the entity relating to a project funded by the former Motheo District Municipality which was incorporated into Mangaung in 2012. The effect of the restatement is as follows:

Statement of financial position		
Increase in Other receivables from exchange transactions	-	711,415
Increase in Accumulated surplus	-	(711,415)
	-	-

24. Prior period error - Brandwag substation

During the current year an error was noted relating to the capitalisation of the substation at Brandwag and was corrected. The effect of the restatement is as follows:

Statement of financial position		
Decrease in Cost of PPE - Buildings WIP	-	(1,658,412)
Increase in Cost of PPE - Buildings	-	1,658,412
Decrease in Accumulated depreciation of PPE - Buildings	-	5,308,168
Decrease in Accumulated surplus	-	949,739
Statement of financial performance		
Decrease in Depreciation	-	(6,257,907)
	-	-

60. Prior period errors (continued)

25. Prior period error - Roads not capitalised

During the current year it was noted that roads included in the WIP register were completed, but not capitalised. The effect of the restatement is as follows:

Statement of financial position		
Increase in Payables from exchange transactions	-	(773,338)
Decrease in Cost of PPE - Infrastructure - WIP	-	773,338
Decrease in Cost of PPE - Infrastructure - WIP	-	(2,765,832)
Increase in Cost of PPE - Infrastructure - Roads and roads related	-	2,765,832
Decrease in Cost of PPE - Infrastructure - Roads and roads related	-	(9,444)
Decrease in Accumulated depreciation - Infrastructure - Roads and roads related	-	(29,319)
Statement of financial performance		
Increase in Loss on sale of assets	-	1,735
Increase in Depreciation	-	37,028
	-	-

26. Prior period error - CCTV cameras

Cameras incorrectly expensed in the prior year. The effect of the restatement is as follows:

Statement of financial position		
Increase in Cost of PPE - Community - Other	-	2,196,478
Increase in Accumulated depreciation - Community - Other	-	(375,531)
Increase in Accumulated surplus	-	(1,144,069)
Statement of financial performance		
Decrease in Repairs and maintenance	-	(877,150)
Increase in Depreciation	-	200,272
	-	-

27. Prior period error - CCTV cameras disposed of

Derecognition of Centlec substation CCTVs incorporated into the entity's asset register. The effect of the restatement is as follows:

Statement of financial position		
Decrease in Cost of PPE - Community - Other	-	(2,060,493)
Decrease in Accumulated depreciation - Community - Other	-	1,795,197
Decrease in Accumulated surplus	-	276,713
Statement of financial performance		
Descrease in Depreciation	-	(11,417)
	-	-

28. Prior period error - Movable assets

During the year errors in the capitalisation of expenditure of movables were identified. These were corrected as follows:

Statement of financial position		
Increase in Cost of PPE - Other PPE	-	20,247
Increase in Accumulated depreciation - Other PPE	-	(380)
Statement of financial performance		
Increase in Depreciation	-	380
Decrease in General expenses - Printing and stationery	-	(20,247)
	-	-

Notes to the Consolidated Annual Financial Statements

60. Prior period errors (continued)

29. Prior period error - Movable assets

During the year errors in the capitalisation of WIP of movable were identified. These were corrected as follows:

Statement of financial position		
Decrease in Cost of PPE - Community WIP	-	(1,112,775)
Increase in Cost of PPE - Other PPE	-	1,890,564
Increase in Accumulated depreciation of PPE - Other PPE	-	(462,849)
Increase in Accumulated surplus	-	(314,940)
	-	-

30. Prior period error - Swimming pool not capitalised

During the current year it was noted that expenditure was not accrued and capitalised to PPE. The effect of the restatement is as follows:

Statement of financial position		
Increase in Cost of PPE - Community assets	-	1,750,712
Increase in Payables from exchange transactions	-	(1,750,712)
Increase in Accumulated depreciation of PPE - Commuity assets	-	(1,290)
Statement of financial performance		
Increase in Depreciation	-	1,290
	-	-

31. Prior period error - Buildings no capitalised

During the year it was noted that a project which was included in Community WIP, should have been capitalised to Buildings. The effect of the restatement is as follows:

Statement of financial position		
Increase in Cost of PPE - Buildings	-	279,028
Decrease in Cost of PPE - Community WIP	-	(279,028)
Increase in Accumulated depreciation - Buildings	-	(382)
Statement of financial performance		
Increase in Depreciation	-	382
	-	-

32. Prior period error - WIP categories

During the current year it was noted that the classification of expenditure included in the WIP registers were incorrect. The effect of the restatement is as follows:

Statement of financial position		
Decrease in Cost of PPE - Infrastructure WIP	-	(2,823,521)
Decrease in Cost of PPE - Community WIP	-	(10,522,510)
Increase in Cost of PPE - Buildings WIP	-	13,346,031
	-	-

60. Prior period errors (continued)

33. Prior period error - Public contributions and donations

During the period under review it was noted that an amount received during the 2015/16 financial year for public connections was incorrectly allocated to a vendor receivable account. The effect of the correction of the error is summarised below:

Statement of financial position		
Decrease in Payable from exchange transactions - Payments received in advance	-	1,678,958
Decrease in VAT receivable	-	(206,188)
Statement of financial performance		
Increase in Other income from non-exchange transactions - Public contributions and donations received	-	(1,472,770)
	-	-

34. Prior period error - Compensation Commissioner expense accrual

During the period under review it was noted that no accrual was raised for the compensation commissioner expense for the 2014/15 and 2015/16 financial year. The effect of the correction of the error is summarised below:

Statement of financial position		
Increase in Payables from exchange transactions - Operating expense accrual	-	(5,987,413)
Decrease in Accumulated surplus	-	2,533,681
Statement of financial performance		
Increase in General expenses - Sundry expenses	-	3,453,732
	-	-

35. Prior period error - Consumer debtor impairment

During the period under review it was noted that the consumer debt impairment calculation for the 2015/16 financial year was incorrect. The calculation was adjusted. The effect of the correction of the error is summarised below:

Statement of financial position		
Increase in Consumer receivables from exchange transactions	-	90,086,729
Increase in Accumulated surplus	-	(58,316,347)
Statement of financial performance		
Decrease in Debt impairment	-	(31,770,382)
	-	-

36. Prior period error - Service charges

During the period under review it was noted that a consumer receivable was incorrectly billed due to an incorrect meter reading. This error was traced back to 2013/14 financial year. The effect of the correction of the error is summarised below:

Statement of financial position		
Increase in Consumer receivables from exchange transactions	-	4,044,229
Statement of financial performance		
Increase in Service charges	-	(4,044,229)
	-	-

37. Prior period error - Retention creditor

During the period under review it was noted that amounts payable relating to the retention creditor for the 2014/2015 financial year was accounted for incorrectly. The effect of the correction of the error is summarised below:

Statement of financial position		
Increase in Payables from exchange transactions - Retentions	-	(1,603,920)
Decrease in Accumulated surplus	-	1,603,920
	-	-

60. Prior period errors (continued)

38. Prior period error - Property, plant and equipment

During the period under review it was noted that assets that were re-issued with a new asset barcode during the previous financial periods were not capitalised. The effect of the correction of the error is summarised below:

Statement of financial position		
Increase in Cost of PPE - Fleet	-	28,440
Increase in Cost of PPE - Other PPE	-	156,682
Increase in Accumulated depreciation of PPE - Fleet	-	(17,939)
Increase in Accumulated depreciation of PPE - Other PPE	-	(106,307)
Increase in Accumulated surplus	-	(80,292)
Statement of financial performance		
Increase in Depreciation	-	19,416
	-	-

39. Prior period error - Payables from exchange transactions

During the period under review it was noted that the 2015/16 leave accrual calculation did not include all of the seconded Mangaung Metropolitan Municipality employees. The calculation was adjusted. The effect of the correction of the error is summarised below:

Statement of financial position:		
Increase in Payables from exchange transactions - Accrued leave pay	-	(5,900,261)
Statement of financial performance:		
Increase in Employee related costs	-	5,900,261
	-	-

40. Prior period error - Other receivables from exchange transactions

During the period under review it was noted that repairs and maintenance expenditure was incorrectly allocated to an insurance debtor. The effect of the correction of the error is summarised below:

Statement of financial position		
Decrease in Other receivables from exchange transactions - Insurance debtor	-	(112,797)
Statement of financial performance		
Increase in Repairs and maintenance	-	112,797
	-	-

41. Prior period error - Reclassification of other income

During the period under review it was noted that in the prior year other income relating to reconnection income was incorrectly classified as general other income instead of as fines and reconnection other income. A reclassification was done for the prior period and the comparative statements for 2015/16 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of financial performance		
Increase in Other income - Fines and reconnection	-	(170,407)
Decrease in Other income	-	170,407
	-	-

42. Prior period error - Reclassification of new connection revenue

During the period under review it was noted that in the prior year new connection income was incorrectly clasified as part of public contributions and donations instead of as other income. A reclassification was done for the prior period and the comparative statements for 2015/16 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of financial performance		
Decrease in Other income from non-exchange transctions - Public contributions and donations	-	18,765,680
Increase in other income	-	(18,765,680)
	-	-

60. Prior period errors (continued)

43. Prior period error - Classification of movements within the defined benefit obligation

During the current year it was noted that the classification of the movement in the defined benefit obligation was incorrectly classified on the Statement of financial performance. The effect of the restatement is as follows:

Statement of financial performance		
Decrease in Employee related costs - Long service awards	-	(1,932,822)
Increase in Actuarial gains and losses	-	1,932,822
Increase in Finance costs - Defined benefit obligation	-	379,000
Decrease in General expenses - Sundry expenses	-	(379,000)
	-	-

44. Prior period error - Buildings depreciation correction

The depreciation on buildings were not aligned to the buildings asset register. The effect of the restatement is as follows:

Statement of financial position		
Decrease in Accumualted depreciation - Buildings	-	(592,298)
Statement of financial performance		
Decrease in Depreciation	-	592,298
	-	-

61. Comparative figures

Certain comparative figures have been reclassified to more closely reflect their purpose or due to the implementation of mSCOA as a pilot for the National Treasury in preparation for the application mSCOA from 1 July 2017.

The effect of the reclassifications are as follows:

1. Reclassification of Property, plant and equipment

2016	Cost / Valuation	Accumulated depreciation	Carrying value
Decrease in Infrastructure	(8,978,644,179)	2,435,567,352	(6,543,076,827)
Increase in Infrastructure - Roads and roads related	3,249,315,301	(1,316,180,600)	1,933,134,701
Infrastructure - Water and water related	2,509,028,096	(698,551,909)	1,810,476,187
Infrastructure - Sanitation network	1,874,926,658	(420,834,843)	1,454,091,815
Infrastructure - WIP	1,345,374,124	-	1,345,374,124
Decrease in Community assets	(1,676,764,045)	772,849,984	(903,914,061)
Increase in Community assets - Landfill sites and quarries	533,689,868	(366,303,212)	167,386,656
Increase in Community assets - Other	1,021,140,250	(406,546,772)	614,593,478
Increase in Community assets - WIP	121,933,927	-	121,933,927
Decrease in Other PPE	(448,192,238)	136,547,114	(311,645,124)
Increase in Fleet	448,192,238	(136,547,114)	311,645,124
	-	-	-

61. Comparative figures (continued)

2. Other reclassifications

Statement of financial position

Decrease in Inventory - Water in pipes	-	(542,653)
Decrease in Inventory - Water in reservoirs	-	(1,824,020)
Decrease in Inventory - Water in pipes & reservoirs	-	2,366,673

Statement of financial performance

Decrease in Service charges - Sale of water	-	532,313
Increase in Service charges - Sale of water - Prepaid water	-	(532,313)
Decrease in Service charges - Sale of electricity	-	640,960,100
Increase in Service charges - Sale of electricity - Prepaid electricity	-	(640,960,100)
Increase in Other income from exchange transactions - Sundry income	-	(33,803)
Decrease in Other income from exchange transactions - Streetlighting	-	24,803
Decrease in Other income from exchange transactions - Sundry services	-	9,000
Decrease in Other income from exchange transactions - Sundry income	-	170,407
Increase in Other income from exchange transactions - Connection and re-connection of water	-	(170,407)
Decrease in General expenses - Advertising	-	(10,274,324)
Increase in General expenses - Marketing and advertising	-	10,274,324
Increase in Interest received - Interest charged on long term receivables	-	(270,252)
Decrease in Interest received - Consumer and other receivables	-	270,252
	-	-

62. Financial instruments disclosure

Categories of financial instruments

2017

Financial assets

	At fair value	At amortised cost	Total
Non-current receivables	94,777	2,408,114	2,502,891
Other receivables from exchange transactions	-	91,060,256	91,060,256
Consumer receivables from non-exchange transactions	-	325,088,698	325,088,698
Consumer receivables from exchange transactions	-	1,188,807,381	1,188,807,381
Cash and cash equivalents	-	231,635,432	231,635,432
Investments	-	162,721,621	162,721,621
	94,777	**2,001,721,502**	**2,001,816,279**

Financial liabilities

	At fair value	At amortised cost	Total
Borrowings	-	1,211,237,689	1,211,237,689
Payables from exchange transactions	-	1,269,700,320	1,269,700,320
Payables from non-exchange transactions	-	290,809,569	290,809,569
Finance lease obligation	-	19,902,543	19,902,543
Consumer deposits	150,182,327	-	150,182,327
	150,182,327	**2,791,650,121**	**2,941,832,448**

2016

Financial assets

	At fair value	At amortised cost	Total
Non-current receivables	33,107	2,995,302	3,028,409
Other receivables from non-exchange transactions	-	4,454,092	4,454,092
Other receivables from exchange transactions	-	97,298,186	97,298,186
Consumer receivables from non-exchange transactions	-	262,419,381	262,419,381
Consumer receivables from exchange transactions	-	914,838,587	914,838,587
Cash and cash equivalents	-	325,546,328	325,546,328
Investments	-	107,818,543	107,818,543
	33,107	**1,715,370,419**	**1,715,403,526**

Financial liabilities

	At fair value	At amortised cost	Total
Borrowings	-	774,057,925	774,057,925
Payables from exchange transactions	-	1,185,908,723	1,185,908,723
Payables from non-exchange transactions	-	286,199,407	286,199,407
Finance lease obligation	-	65,153,319	65,153,319
Operating lease liability	-	97,893	97,893
Consumer deposits	161,471,743	-	161,471,743
	161,471,743	**2,311,417,267**	**2,472,889,010**

63. Risk management

Financial risk management

The entity's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk.

This note presents information about the entity's exposure to each of the financial risks below and the entity's objectives, policies and processes for measuring and managing the financial risks. Further quantitative disclosures are included throughout the annual financial statements.

The Council has overall responsibility for the establishment and oversight of the entity's risk management framework.

The entity's audit committee oversees the monitoring of compliance with the entity's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the entity. The audit committee is assisted in its oversight role by the entity's internal audit function.

The entity monitors and manages the financial risks relating to the operations of the entity through internal risk reports which analyse exposures by degree and magnitude of risks.

The entity seeks to minimise the effects of these risks in accordance with the entity's policies approved by the Council. The policies provide written principals on interest rate risk, credit risk and the investment of excess liquidity.

Compliance with policies and exposure limits is reviewed by the internal auditors on a continuous basis. The entity does not enter into or trade in financial instruments for speculative purposes.

Liquidity risk

Liquidity risks is the risk that the entity will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.

The entity's risk to liquidity is a result of the funds available to cover future commitments. The entity manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

The entity has defaulted on external loans, as disclosed in note 23, but did not default on payables and leave commitment payments. No re-negotiation of terms were made on any of these instruments.

All of the entity's financial assets have been reviewed for indicators of impairment. Certain receivables were found to be impaired and a provision has been raised accordingly. The impaired receivables are mostly due from customers defaulting on service costs levied by the entity.

The table below analyses the entity's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

At 30 June 2017	Less than 1 year	Between 1 and 2 years	Over 5 years
Borrowings	138,707,448	602,130,115	470,400,127
Finance lease obligations	13,832,226	6,070,317	-
Payables from exchange transactions	1,269,700,320	-	-
Payables from non-exchange transactions	290,809,569	-	-

At 30 June 2016	Less than 1 year	Between 1 and 5 years	Over 5 years
Borrowings	100,965,373	151,886,277	521,206,273
Finance lease obligations	44,968,869	20,184,450	-
Payables from exchange transactions	1,185,908,723	-	-
Payables from non-exchange transactions	286,199,407	-	-
Operating lease obligation	97,893	-	-

There has been no change, since the previous financial year, to the entity's exposure to liquidity risks or the manner in which it manages and measures the risks.

63. Risk management (continued)

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The entity only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

All of the entity's financial assets have been reviewed for indicators of impairment. Certain receivables were found to be impaired and a provision has been raised accordingly. The impaired receivables are mostly due from customers defaulting on the service costs levied by the entity.

Receivables are presented net of an allowance for impairment.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2017	2016
Cash and cash equivalents	231,635,432	325,546,328
Investments	162,721,621	107,818,543
Consumer receivables from non-exchange transactions	325,088,698	262,419,381
Consumer receivables from exchange transactions	1,188,807,381	914,838,587
Other receivables from non-exchange transactions	-	4,454,092
Other receivables from exchange transactions	91,060,256	97,298,186
Other non-current receivables from exchange transactions	2,408,114	2,995,302
Financial instruments designated at fair value	94,777	33,107

The entity is exposed to a number of guarantees for housing loans of employees. Refer to note 56 for additional details.

These balances represent the maximum exposure to credit risk.

There has been no change, since the previous financial year, to the entity's exposure to credit risks or the manner in which it manages and measures the risks.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices, will affect the entity's revenue of the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

There has been no change, since the previous financial year, to the entity's exposure to market risks or the manner in which it manages and measures the risks.

Interest rate risk

Interest rate risk is defined as the risk that the fair value of future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest rate changes.

The entity's policy is to minimise interest rate cash flow risk exposures on long-term financing. Longer term borrowings are therefore usually at fixed rates.

At year end, the financial instruments exposed to interest rate risk were as follows:
- Call, notice and fixed deposits
- Development Bank of South Africa, Standard Bank of South Africa Limited and ABSA loans
- Finance lease obligations

The entity's interest rate risk arises from long-term borrowings and finance leases. Borrowings and finance leases issued at variable rates expose the entity to cash flow interest rate risk.

Borrowings and finance leases issued at fixed rates expose the entity to fair value interest rate risk. Entity policy is to maintain the majority of its borrowings and finance leases in fixed rate instruments. During 2017 and 2016, the entity's borrowings and finance leases at variable rate were denominated in the Rand.

63. Risk management (continued)

Foreign exchange risk

The entity does not enter into significant foreign currency transactions and has had very limited exposure to foreign currency risk.

The entity does not hedge foreign exchange fluctuations.

Price risk

The entity is exposed to equity securities price risk because of investments held by the entity and classified on the statement of financial position at fair value through surplus or deficit. The entity is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the entity diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the entity.

The fair value of financial assets with standard terms and conditions, and are traded in an active market is determined with reference to quoted market bid prices, and asked prices respectively.

64. Going concern

We draw attention to the fact that at 30 June 2017, the entity had accumulated surplus of R 13,234,095,693 and that the entity's total assets exceed its total liabilities by R 15,351,479,098.

The consolidated annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

Although certain going concern ratios, such as the cash coverage and creditors' days may appear unfavourable, the entity still has the power to levy rates and taxes and it will continue to receive funding from government as evident from the equitable share allocation in terms of the Division of Revenue Act, (Act 3 of 2017).

65. Events after the reporting date

On 31 August 2017 the Council approved the following matter:

The Council wrote off Unauthorised expenditure relating to the former Naledi Local Municipality to the value of R62,815,000. Refer to note 66 for further details.

The Council transferred the electricity function, together with the related assets and liabilities, relating to the former Naledi Local Municipality to Centlec (SOC) Limited. Refer to note 40 for further details.

This has been accounted for as an adjusting event after the reporting date.

66. Unauthorised expenditure

Opening balance	2,715,566,991	2,054,733,537
Unauthorised expenditure - current year	797,189,381	660,833,454
Unauthorised expenditure - Incorporation of Naledi Local Municipality*	75,843,689	-
Written off by Council*	(62,815,000)	-
	3,525,785,061	**2,715,566,991**

* The balance relates to the incorporation of the former Naledi Local Municipality. Refer to note 40 for further details. On 31 August 2017 Council wrote of R 62,815,000 of the unauthorised expenditure incorporated from the former Naledi Local Municipality.

66. Unauthorised expenditure (continued)

Incidents regarding 2016/2017	Disciplinary steps taken / criminal proceedings		
Overspending by Engineering services	None	314,385,428	-
Overspending by Water services	None	116,166,806	-
Overspending by Miscellaneous services	None	240,474,090	-
Overspending by Corporate services	None	51,167,844	-
Overspending by Centlec		74,995,213	-
		797,189,381	-

The unauthorised expenditure relates to the following:

1. Engineering services
The over expenditure on this vote relates to the depreciation, amortisation and impairment of assets exceeding the budgeted amounts.

2. Water services
The over expenditure on this vote is as a result of the provision for doubtful debts within this vote being in excess of the budgeted amount.

3. Miscellaneous services
The over expenditure on this vote is as a result of the provision for doubtful debts within this vote being in excess of the budgeted amount.

4. Corporate services
The over expenditure on this vote is as a result of the building maintenance within this vote being in excess of the budgeted amount

Incidents regarding 2015/2016	Disciplinary steps taken / criminal proceedings		
Overspending by the Office of the City Manager	None	-	58,351,818
Overspending by Engineering services	None	-	376,693,435
Overspending by Water services	None	-	68,623,507
Overspending by Waste & Fleet Management services	None	-	8,718,871
Overspending by Miscellaneous services	None	-	122,261,302
Overspending by Finance - (Capital budget)	None	-	428,285
Overspending by Human Settlements (Capital budget)	None	-	24,220,513
Overspending by Strategic Projects and Service Delivery Regulations (Capital budget)	None	-	1,535,723
		-	**660,833,454**

Incidents regarding 2014/2015	Disciplinary steps taken / criminal proceedings		
Overspending by Infrastructure services	None	-	476,310,085
Overspending by Water services	None	-	16,073,144
Overspending by Miscellaneous services	None	-	494,749,304
		-	**987,132,533**

Incidents regarding 2013/2014	Disciplinary steps taken / criminal proceedings		
Overspending by Infrastructure services	None	-	335,548,820
Overspending by Water services	None	-	6,503,968
Overspending by Miscellaneous services	None	-	324,571,205
Overspending by Property rates	None	-	6,472,972
		-	**673,096,965**

Notes to the Consolidated Annual Financial Statements

Figures in Rand

66. Unauthorised expenditure (continued)

Incidents regarding 2012/2013

	Disciplinary steps taken / criminal proceedings		
Overspending by Infrastructure services	None	-	19,535,661

Incidents regarding 2011/2012

	Disciplinary steps taken / criminal proceedings		
Overspending by Finance directorate	None	-	35,020,886
Overspending by Infrastructure services	None	-	29,551,033
Overspending by Regional operations	None	-	159,247,863
Overspending by Miscellaneous services	None	-	44,318,396
Overspending by Corporate services	None	-	37,317,682
Overspending by Fresh Produce Market	None	-	177,295
Overspending by Water services	None	-	1,623,331
		-	**307,256,486**

Incidents regarding 2010/2011

	Disciplinary steps taken / Criminal proceedings		
Overspending by Fresh Produce Market	None	-	417,912
Overspending by Miscellaneous services	None	-	29,774,764
Overspending by Water services - Operating	None	-	23,353,983
Overspending by Water services - Capital	None	-	14,165,233
		-	**67,711,892**

67. **Fruitless and wasteful expenditure**

Opening balance	29,456,573	28,538,903
Add: Fruitless & wasteful expenditure - current year	7,832,302	917,670
Add: Incorporation of the former Naledi Local Municipality*	6,472,630	-
	43,761,505	**29,456,573**

* The balance relates to the incorporation of the former Naledi Local Municipality. Refer to note 40 for further details.

67. Fruitless and wasteful expenditure (continued)

Incidents regarding 2016/17	Disciplinary steps taken / criminal proceedings		
Municipality			
Interest paid to Telkom SA Limited due to late payment	None	90,757	-
Interest paid to Railway Safety Regulator due to late payment	None	18	-
Interest paid to Free State Municipal Pension Fund	None	322	-
Interest paid to SARS due to late payment	None	1,896,020	-
Interest paid to Q Civils due to late payment	None	370,089	-
Interest paid to Eskom due to late payment	None	47,495	-
Interest paid to FDC due to late payment	None	1,646	-
Interest paid to UMFA due to late payment	None	1,256	-
Interest paid to LM Meyer due to case no. 2843 14	None	15,649	-
Interest paid to Joyce Nel due to case no. 40602016	None	2,447,910	-
Interest paid to Wasserman Teerwerke due to late payment	None	223,008	-
Interest paid to Altimax due to Court Order (case no. 832/17)	None	1,444	-
Interest paid to Panzacode CC due to Court Order (case no. 5926/2016)	None	216,779	-
Interest paid to Maluti Plant Hire due to Court Order (case no. 4357 and case no. 1765)	None	1,918,580	-
Interest paid to Modderrivier Kalkveld due to late payment	None	2,816	-
Interest paid to Auditor General due to late payment	None	31,551	-
Interest paid to Kgato Project Management CC due to Court Order (case no. 5430/16)	None	104,690	-
Councillors who had their membership terminated were paid contrary to the requirements of the Remuneration of Public Office Bearers Act 20 of 1998	None	176,831	-
Municipal entity			
Interest on late payment of PAYE to SARS	The interest was incurred due to technical delays on transfer of funds. No official of the entity is liable and expense has been submitted to council for consideration of write off.	23,854	-
Interest incurred on late payment of ESKOM and TELKOM accounts	The interest was incurred due to technical delays on transfer of funds. No official of the entity is liable and expense has been submitted to council for consideration of write off.	261.587	-
		7,832,302	**-**

Notes to the Consolidated Annual Financial Statements

67. **Fruitless and wasteful expenditure (continued)**

Incidents regarding 2015/16

	Disciplinary steps taken / criminal proceedings		
Municipality			
Interest paid to Eskom due to late payment	None	-	127,272
Interest paid to Razzmatazz (Pty) Ltd due to late payment	None	-	11,700
Interest paid to FDC due to late payment	None	-	1,732
Interest paid to PEC Metering due to late payment	None	-	618
Interest paid to UMFA due to late payment	None	-	662
Interest paid to Telkom SA Limited due to late payment	None	-	212,973
Interest paid to Kramer, Weihmann and Joubert due to late payment	None	-	3,796
Interest and penalties paid to SARS due to late payment and under declaration of VAT	None	-	117,852
Councillors who had their membership terminated were paid contrary to the requirements of the Remuneration of Public Office Bearers Act 20 of 1998	None	-	230,879
Municipal entity			
Interest on late payment of PAYE to SARS	None	-	181,908
Interest incurred on late payment of supplier accounts - FDC	None	-	7,773
Interest incurred on late payment of supplier accounts - Other	None	-	20,506
		-	**917,671**

Incidents regarding 2014/15

	Disciplinary steps taken / criminal proceedings		
Municipality			
Interest paid to Eskom due to late payment	None	-	20,469
Interest paid to FDC due to late payment	None	-	256
Interest paid to Lawyers due to late payment	None	-	5,549
Interest paid to PEC Metering due to late payment	None	-	402
Interest paid to Telkom SA Limited due to late payment	None	-	57,044
Interest paid to SARS due to late payment	None	-	45,077
Interest and penalties paid to Phethogo Consulting CC due to late payment	None	-	78,938
Interest paid to UMFA due to late payment	None	-	213
Interest and penalties paid to Merchant West (Pty) Ltd due to late payment	None	-	1,155
Municipal entity			
Interest paid to SARS due to late payment of SDL	None	-	210
Interest paid to FDC due to late payment of rentals	None	-	4,586
Interest paid to Eskom due to late payment	None	-	68
		-	**213,967**

Incidents regarding 2013/14

	Disciplinary steps taken / criminal proceedings		
Interest paid to Eskom due to late payment	None	-	138,247
Interest paid to FDC due to late payment	None	-	783
Interest paid to Broll due to late payment	None	-	976
Interest paid to Bloemwater due to late payment	None	-	240
Interest paid to Lawyers due to late payment	None	-	769
Interest paid to PEC Metering due to late payment	None	-	417
Interest paid to Dlamini & Associates due to late payment	None	-	525
Interest paid to Standard Bank of South Africa due to late payment	None	-	3,818
Interest paid to Wright Rose Innes Inc due to late payment	None	-	2,360
Interest paid to Dierehospitaal due to late payment	None	-	208
		-	**148,343**

67. Fruitless and wasteful expenditure (continued)

Incidents regarding 2012/13

	Disciplinary steps taken / criminal proceedings		
Interest paid to Ruwacon (Pty) Ltd due to late payment	None	-	42,879
Interest paid to Eskom due to late payment	None	-	41,415
Interest paid to FDC due to late payment	None	-	804
Interest paid to Rossouws Attorneys due to late payment	None	-	390
Interest paid to Rural Maintenance (Pty) Ltd due to late payment	None	-	57
No Show penalty for 7 Councillors on 29 January 2013, for accommodation at Protea Hotel	None	-	12,247
Interest paid to UMFA/FS Business Trust due to late payment	None	-	165
Interest and penalties paid to SARS due to late submission of a VAT return	None	-	147,204
Interest paid to Bloemwater due to late payment	None	-	4,851
Interest paid to Merchant West (Pty) Ltd due to late payment	None	-	60,820
Interest paid to Telkom SA limited due to late payment	None	-	100,031
Interest paid to Lawyers due to late payment	None	-	11,506
Councillor T.J Makae annual salary was paid to him but was however no longer a councillor	None	-	375,765
		-	**798,134**

Incidents regarding 2011/12

	Disciplinary steps taken / criminal proceedings		
Penalties and interest paid on the late submission of a VAT return.	None	-	113,832
Penalties and interest paid on the late submission VAT return of prior years	None	-	13,816,522
Interest paid on overdue accounts	None	-	31,163
Interest paid on overdue accounts - Telkom	None	-	38,520
Councillor T.J Makae annual salary was paid to him but was however no longer a councillor	None	-	378,254
		-	**14,378,291**

Incidents regarding 2010/11

	Disciplinary steps taken / criminal proceedings		
Penalties and interest paid on the late submission of a VAT return	None	-	7,729,134
Penalties and interest paid on the late submission of PAYE, UIF and SDL	None	-	171,147
		-	**7,900,281**

Incidents regarding 2009/10

	Disciplinary steps taken / criminal proceedings		
Penalties and interest paid on the late submission of VAT return.	None	-	5,099,888

68. Irregular expenditure

Opening balance	322,514,600	289,434,239
Add: Irregular Expenditure - current year	8,752,200	32,718,861
Add: Incorporation of the former Naledi Local Municipality*	85,357,271	-
Add: Irregular Expenditure - prior year	-	361,500
	416,624,071	**322,514,600**

* The balance relates to the incorporation of the former Naledi Local Municipality. Refer to note 40 for further details.

68. Irregular expenditure (continued)

Analysis of expenditure awaiting condonation per age classification

Current year	8,752,200	33,080,361
Incorporation of the former Naledi Local Municipality*	85,357,271	-
Prior years	322,514,600	289,434,239
	416,624,071	**322,514,600**

Details of irregular expenditure – current year

	Disciplinary steps taken/criminal proceedings	
Expenditure items identified were the supply chain process was not followed	The expenditure was identified during the current financial year and still needs to be investigated.	4,266,597
Councillors who had their membership terminated were paid contrary to the requirements of the Remuneration of Office Bearers Act 20 of 19998	The expenditure was identified during the current financial year and still needs to be investigated.	252,063
Overpayment on contract	The expenditure was identified during the current financial year and still needs to be investigated.	946,395
Supporting documentation relating contracts awarded not provided for audit purposes	The expenditure was identified during the current financial year and still needs to be investigated.	927,399
Incorporation of the former Naledi Local Municipality*	Council has referred the expenditure to MPAC for further investigation.	85,357,271
Weakness in internal controls relating to bidding	Preferential Procurement Regulations of 2011 were not fully complied with due to inadequate specifications. No disciplinary steps were taken as the inadequacies identified were as a result of technical interpretation of the Preferential Procurement Regulation of 2011. The expenditure has been submitted to council for consideration of being written off.	2,359,746
		94,109,471

69. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	12,300,000	11,800,000
Amount paid - current year	(12,300,000)	(11,800,000)
Previous years subscription fees (related to the former Naledi Local Municipality)*	1,000,000	-
Amount paid - previous years (related to the former Naledi Local Municipality)	(1,000,000)	-
	-	-

Contributions to organised local government consists of annual subscriptions paid to SALGA.

* The subscription fees relate to the incorporation of the former Naledi Local Municipality. Refer to note 40 for further details.

Audit fees

Opening balance	1,896,868	396,010
Incorporation of the former Naledi Local Municipality*	1,567,813	-
Current year regulatory audit	23,197,670	22,562,976
Amount paid - previous year	(1,896,868)	(396,010)
Amount paid - current year	(21,499,773)	(20,666,108)
	3,265,710	**1,896,868**

* The audit fees relate to the incorporation of the former Naledi Local Municipality. Refer to note 40 for further details.

69. Additional disclosure in terms of Municipal Finance Management Act (continued)

PAYE and UIF

Opening balance	17,422,487	(103,426)
Incorporation of the former Naledi Local Municipality*	275,627	-
Current year payable	274,053,207	225,494,951
Interest and penalites - current year	37,938	181,908
Amount paid - Naledi incorporation*	(390,907)	-
Amount (paid) / refunded - previous year	(17,422,487)	103,426
Amount paid - current year	(259,903,136)	(208,254,372)
	14,072,729	**17,422,487**

* The PAYE and UIF relates to the incorporation of the former Naledi Local Municipality. Refer to note 40 for further details.

Pension and Medical Aid Deductions

Opening balance	24,509,706	23,475
Current year subscription / fee	349,731,200	315,461,703
Amount paid - previous year	(24,516,556)	(23,475)
Amount paid - current year	(324,203,193)	(290,951,997)
	25,521,157	**24,509,706**

Councillors' arrear consumer accounts

Refer to Appendix F for details regarding the councillors' arrear consumer accounts.

Supply chain management regulations

In terms of section 45 of the Municipal Supply Chain Management Regulations any awards made to a person that is a spouse, child or parent of a person in the service of the state must be disclosed.

Details of the award		
Isibaya Solutions (Pty) Ltd - Spouse employed by Department of Economic, Sports, Tourism and Environmental Affairs	-	1,321,570

Bulk water losses

Material bulk water losses during the year under review were as follows and are not recoverable.
The main reason for incurring water losses related to burst water pipes, leaks and unmetered sites.

The high increase in the value for bulk water losses is due to the implementation of the drought tariffs by Bloemwater. Taking this into account it should be noted that the bulk water loss volume has decreased.

	Kilo liter	Cost per Kilo liter	Total loss in Rands
2017	23,872,485	9.11	217,478,344
2016	24,521,368	5.97	146,392,570

The reason for the high increase in the cost per kilo-litre in the current year is due to the use of the drought tariff by Bloemwater.

69. Additional disclosure in terms of Municipal Finance Management Act (continued)

Electricity distribution losses

In the current year the energy losses were 10.77% (2016: 13.23%). These losses are the result off theft, vandalism, faulty meters and variances in monthly consumption estimates. Management has determined that these losses are not recoverable.

	kWh - Units	Rand Value	Percentage
2017	183,298,918	162,586,611	10.77%
2016	225,545,764	180,249,104	13.23%

The electricity distribution loss comprises of technical and non-technical losses. For the 2016/17 financial year the distribution losses amount to 10.77% (2016:13.23%). The annual electricity distribution losses are made up of technical and non-technical losses which are the difference between electricity purchased and electricity sold.

Non-technical losses:
Non-technical losses are amongst others the result of administrative and technical errors, negligence, theft of electricity, tampering with meters and connections which form part of illegal consumption, faulty meters, etc. Non-technical losses amounted to 47,102,500 kWh - units (2016: 89,191,361 kWh - units) with a Rand value of R41,780,039 (2016: R71,278,940).

Technical losses:
Technical losses are the result of electricity losses while being distributed from the source of generation through the transmission and distribution network to the final consumer. The wires (copper or aluminium) being used to distribute electricity have certain resistance which resist the throughput of current, as a result there is a certain portion of electricity that is lost due to distribution. Technical losses amounted to 136,196,417 kWh - units (2016: 136,354,403 kWh - units) with a Rand value of R120,806,572 (2016: R108,970,164).

Grants withheld

During the prior year, the following amount was withheld by National Treasury and subsequently forfeited.

Grant		
Neighbourhood Development Grant	-	11,000,000

70. Actual operating expenditure versus budgeted operating expenditure

Refer to Appendix C(1) for the comparison of actual operating expenditure versus budgeted expenditure by municipal vote.

71. Actual capital expenditure versus budgeted capital expenditure

Refer to Appendix C(2) for the comparison of actual capital expenditure versus budgeted expenditure by municipal vote.

72. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the council and includes a note to the consolidated annual financial statements.

For the current and prior financial years there were instances where goods and services were procured while deviating from the normal supply chain management policy.
The reasons for these deviations were documented and reported to the Accounting officer who considered them and approved the deviation from the normal Supply Chain Management Regulations

Deviations 2017	Rands	Number of deviations
Emergency	847,111	9
Sole supplier	9,222,866	47
Impractical	1,336,272	10
Urgent	1,530,510	20
Other	7,153,541	272
	20,090,300	**358**

Deviations 2016	Rands	Number of deviations
Emergency	3,101,903	18
Sole supplier	10,412,325	55
Impractical	991,270	9
Urgent	9,326,932	100
Other	3,087,887	34
	26,920,317	**216**

Notes to the Consolidated Annual Financial Statements

73. Budget differences

Changes from the approved budget to the final budget

Statement of financial performance

A1 - Property rates
Property rates income was increased in line with the mid-year performance assessment

A2 - Service charges
Water service charges were adjusted upwards in line with the increased water tariffs as a result of the implementation of the Level 3 water restrictions.
Other service charges were adjusted downwards based on the mid-year performance assessment.

A3 - Transfers recognised
Transfers and grants were adjusted to appropriate unspent conditional grants from 2015/16 as well as additional grants that were received and/or allocated during the year.

A4 - Employee costs
Employee costs has been adjusted downwards due to unfilled vacancies and shifting of funds to operating (municipal running) costs.

A5 - Remuneration of councillors
Remuneration of councillors has been adjusted downwards as a result of the savings from the approval of lower salary increases than budgeted.

A6 - Debt impairment
Debt impairment has been increased in line with the increase in water sales

A7 - Material and bulk purchases & Other expenditure
The adjustment is mainly out of shifting of funds and savings made.

Statement of financial position

A8 - Changes to the statement of financial position budget were made in order to align the budget statement of financial position taking into account the closing balances as per the audited annual financial statements (which became available after the finalisation of the audit) as well as changes made on the statement of financial performance and budgeted capital expenditure.

Cash flow statement

A9 - Changes to the cash flow statement were made due to the anticipated cash position of the entity as a result of the adjustments made to the statements of financial performance and position.

73. Budget differences (continued)

Material differences between the budget and actual amounts

Statement of financial performance

B1 - Property rates
Unfavourable variance of due to less property rates billed for the business and commercial properties than budgeted.

B2 - Service charges
Unfavourable variance on Water revenue due to lower actual billing, including the effect of the higher imposed tariffs since December 2016 due to water restriction level 3.

B3 - Investment revenue
Unfavourable variance due to lower investment and cash balances than anticipated.

B4 - Transfers recognised
Unfavourable variance due to changes in the grants allocation, as a result of slow implementation of grant funded projects.

B5 - Other own revenue
Favourable variance due to the incorporation of the former Naledi Local Municipality and the community of Ikgometseng/Soutpan.

B6 - Employee costs
Favourable variance for the year as a result of unfilled vacancies.

B7 - Debt impairment
Debt impairment has an unfavourable variance as the provision for doubtful debts was in excess of the anticipated provision as well as debt write offs approved during the period.

B8 - Depreciation and asset impairment
Depreciation has an unfavourable variance as a result of the increased asset base.

B9 - Operational expenditure
Favourable variance due to due to slow spending on projects and cost containment measures.

Statement of financial position

B10 - Variance due to the activities reported in the statement of financial performance and the resultant financial position of the entity.

Cash flow statement

B11 - Variance due to the activies reported in the statement of financial performance and the resultant financial position of the entity.

Reconciliation between the Budget and the Statement of Financial Performance

	Total Revenue	Total expenditure	Surplus/(deficit) for the year (excluding taxation)
As per Statement of Financial Performance	**7,590,097,195**	**(6,485,078,621)**	**1,105,018,574**
Actuarial gains/losses	(10,584,000)	10,584,000	-
Gain/loss on disposal of assets	(14,892,960)	14,892,960	-
Fair value adjustments	91,231,256	(91,231,256)	-
Internal charges - Water	13,729,222	(13,729,222)	-
Internal charges - Sewerage	783,238	(783,238)	-
Gains and losses classification	(11,496,966)	11,496,966	-
As per Statement of Comparison of Budget and Actual Amounts	**7,658,866,985**	**(6,553,848,411)**	**1,105,018,574**

74. Non-compliance to the MFMA

During the current financial year the following non-compliance matters were identified:

Supply chain management regulations 12(1)(c), 17(1)(a) - (c)
Goods and services of a transaction value between R10,000 and R200,000 were procured without inviting at least three written price quotations from accredited prospective providers and the deviation was not approved by the CFO or his delegate.

Supply chain management regulations 36(1)
Goods and services with a transactions value above R200,000 were not procured by means of a competitive bidding process and the deviation was not approved by the accounting officer or her delegate in accordance with the supply chain management policy.

Deviations from competitive bidding were approved on the basis of it being an emergency, even though immediate action was not necessary and sufficient time was available to follow a bidding process.

Deviations from competitive bidding were approved on the basis of it being an emergency, even though proper planning would have prevented such emergency.

Schedule of external loans as at 30 June 2017

	Loan Number	Redeemable	Balance at 30 June 2016 Rand	Received during the period Rand	Redeemed written off during the period Rand	Balance at 30 June 2017 Rand
External loans						
DBSA	103433/01	31 March 2026	40,510,298	-	2,677,636	37,832,662
DBSA	103433/02	31 March 2026	134,296,964	-	6,367,795	127,929,169
DBSA	12007885	30 June 2025	309,292,275	-	20,138,841	289,153,434
Standard Bank	33714314	30 June 2025	289,958,385	-	19,648,411	270,309,974
ABSA	23135	30 October 2026	-	500,000,000	13,987,548	486,012,452
			774,057,922	**500,000,000**	**62,820,231**	**1,211,237,691**

Mangaung Metropolitan Municipality
Appendix D to the Consolidated Annual Financial Statements - Unaudited

Segmental Statement of Financial Performance for the year ended

Current Year

	Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand
City Manager	-	142,030,168	(142,030,168)
Executive Mayor	91,580,429	201,204,185	(109,623,756)
Corporate Services	19,299,780	332,868,503	(313,568,723)
Finance	1,357,076,337	202,526,594	1,154,549,743
Social Services	51,858,922	419,797,750	(367,938,828)
Planning	31,341,397	88,806,856	(57,465,459)
Human Settlement	19,560,909	104,247,851	(84,686,942)
Economic and Rural Development	3,060,052	28,786,363	(25,726,311)
Engineering Services	316,472,763	1,065,939,093	(749,466,330)
Water Services	1,018,045,904	978,133,735	39,912,169
Waste and Fleet Management	256,115,374	306,352,888	(50,237,514)
Miscellaneous Services	1,209,006,580	579,997,009	629,009,571
Naledi	1,168,811,073	36,089,819	1,132,721,254
Strategic Projects and Service Delivery	-	42,675,422	(42,675,422)
CENTLEC	2,116,637,461	2,000,111,346	116,526,115
	7,658,866,981	**6,529,567,582**	**1,129,299,399**

Actual versus Budget(Revenue and Expenditure) for the year ended 30 June 2017

	Act. Bal. Rand	Adjusted budget Rand	Variance Rand	Var
Revenue				
Property rates	993,753,704	1,025,471,060	(31,717,356)	(3.1)
Service charges	3,187,569,168	3,514,267,847	(326,698,679)	(9.3)
Rental of facilities and equipment	35,764,278	34,606,658	1,157,620	3.3
Agency services	3,844,123	-	3,844,123	-
Licences and permits	259,038	814,000	(554,962)	(68.2)
Other income from non-exchange transactions	5,229,948	-	5,229,948	-
Other income from exchange transactions	85,476,099	384,847,853	(299,371,754)	(77.8)
Fines	38,278,450	98,366,652	(60,088,202)	(61.1)
Government grants & subsidies	1,817,908,000	2,115,998,068	(298,090,068)	(14.1)
Interest received - investment	32,311,837	187,740,673	(155,428,836)	(82.8)
Interest received - other	239,964,845	66,123,600	173,841,245	262.9
Gain from transfer of functions between entities not under common control	1,149,737,705	-	1,149,737,705	-
	7,590,097,195	7,428,236,411	161,860,784	2.2
Expenses				
Employee related costs	(1,605,678,326)	(1,744,534,444)	138,856,118	(8.0)
Remuneration of councillors	(56,028,903)	(55,541,553)	(487,350)	0.9
Depreciation	(897,148,435)	(621,739,556)	(275,408,879)	44.3
Amortisation	(12,124,512)	-	(12,124,512)	-
Impairments	(3,682,496)	-	(3,682,496)	-
Finance costs	(181,763,257)	(163,603,124)	(18,160,133)	11 1
Debt Impairment	(663,385,669)	(333,107,538)	(330,278,131)	99.2
Repairs and maintenance - General	(397,507,138)	(115,964,653)	(281,542,485)	242.8
Bulk purchases	(1,906,618,478)	(1,842,140,224)	(64,478,254)	3.5
Contracted Services	(429,092,578)	(974,668,784)	545,576,206	(56.0)
Transfers and Subsidies	(5,810,922)	(32,445,628)	26,634,706	(82.1)
General Expenses	(408,010,902)	(660,306,084)	252,295,182	(38.2)
	(6,566,851,616)	(6,544,051,588)	(22,800,028)	0.3
Other revenue and costs				
Actuarial gains/losses	(10,584,000)	-	(10,584,000)	-
Gain or loss on disposal of assets and liabilities	(14,892,960)	118,668,045	(133,561,005)	(112.6)
Fair value adjustments	91,231,256	-	91,231,256	-
Rehabilitation provision movement	16,018,699	-	16,018,699	-
Taxation	24,280,825	-	24,280,825	-
	106,053,820	118,668,045	(12,614,225)	(10.6)
Net surplus/ (deficit) for the year				
	1,129,299,399	1,002,852,868	126,446,531	12.6

Budget Analysis of Capital Expenditure as at 30 June 2017

	Additions Rand	Adjustment Budget Rand	Variance Rand
City Manager	26,354,580	44,471,395	18,116,815
Executive Mayor	-	-	-
Corporate Services	27,449,223	33,949,430	6,500,207
Finance	1,420,542	1,662,300	241,758
Social Services	16,311,150	31,511,018	15,199,868
Planning	3,439,044	13,856,005	10,416,961
Human Settlement	13,942,149	55,740,543	41,798,394
Economic and Rural Development	8,839,345	19,169,300	10,329,955
Engineering Services	730,630,111	769,490,382	38,860,271
Water Services	139,539,422	302,578,994	163,039,572
Waste and Fleet Management	5,383,597	86,574,409	81,190,812
Miscellaneous Services	-	-	-
Naledi	478,471	13,741,001	13,262,530
Strategic Projects and Service Delivery	694,053	76,379,000	75,684,947
Centlec	222,562,922	232,779,050	10,216,128
	1,197,044,609	**1,681,902,827**	**484,858,218**

Mangaung Metropolitan Municipality
Appendix D to the Consolidated Annual Financial Statements - Unaudited
Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts				Quarterly Expenditure				Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act
		Sep	Dec	Mar	Jun	Sep	Dec	Mar	Jun	Yes/ No
Equitable Share	National	255,645,000	209,780,000	157,433,000	-	176,928,500	148,774,166	179,211,584	118,074,750	Yes
Fuel levy	National	90,897,000	90,897,000	90,897,000	-	68,172,750	68,172,750	68,172,750	67,172,750	Yes
Financial Management Grant	National	3,310,000	-	-	-	532,589	631,981	435,911	1,709,519	Yes
National Electrification Programme Grant	National	5,516,000	2,984,000	-	-	-	-	-	8,500,000	Yes
Electricity Demand Side Management Grant	National	-	6,000,000	1,000,000	-	-	627,170	2,022,368	4,350,461	Yes
Urban Settlement Development Grant	National	270,334,000	324,669,000	130,000,000	-	74,037,116	242,042,062	160,280,977	225,057,479	Yes
EPWP Grant	National	1,288,000	2,317,000	1,546,000	-	-	-	-	1,857,929	Yes
Sustainable Human Settlement Grant	National	-	-	-	-	-	-	-	-	Yes
Neighborhood Development Grant	National	36,775,000	-	-	-	-	-	-	694,053	Yes
Integrated City Development Grant	National	5,456,000	5,456,000	-	-	968,808	2,667,784	-	2,417,339	Yes
Municipal Human Settlement Capacity Grant	National	-	-	3,003,228	-	-	1,261,000	1,249,612	493,901	Yes
Public Transport Network Grant	National	30,142,000	45,000,000	125,000,000	-	45,347,461	38,448,281	40,614,691	53,503,050	Yes
Municipal Demarcation Grant	National	2,686,000	5,371,000	2,685,000	2,685,000	-	80,028	330,852	4,585,920	Yes
		-	-	-	-	-	-	-	-	
Housing Accreditation Subsidy	Provincial	-	-	-	-	561,437	751,529	-	-	Yes
Department SACR Grant - Admin Libraries	Provincial	-	500,000	1,500,000	-	-	-	-	4,663,859	Yes
Department of Telecom Services	Provincial	-	-	-	-	-	-	657,895	501,393	Yes
		-	-	-	-	-	-	-	-	
City of Ghent	Other	-	-	-	-	-	-	-	-	Yes
		-	-	-	-	-	-	-	-	
		-	-	-	-	-	-	-	-	
		-	-	-	-	-	-	-	-	
		-	-	-	-	-	-	-	-	
		702,049,000	692,974,000	513,064,228	2,685,000	366,548,661	503,456,751	452,976,640	493,582,403	

Mangaung Metropolitan Municipality
Appendix E1 to the Consolidated Annual Financial Statements - Unaudited
Budgeted Financial Performance (revenue and expenditure by standard classification)
for the year ended 30 June 2017

	2017										2016
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Revenue - Standard											
Governance and administration	**3,204,882,247**	**(175,365)**	**3,204,706,882**	-		**3,204,706,882**	**3,822,059,302**	**617,352,420**	**119 %**	**119 %**	-
Executive and council	2,821,260	-	2,821,260	-		2,821,260	1,242,281,531	1,239,460,271	44,033 %	44,033 %	-
Budget and treasury office	3,149,573,385	(175,365)	3,149,398,020	-		3,149,398,020	2,566,391,439	(583,006,581)	81 %	81 %	-
Corporate services	52,487,602	-	52,487,602	-		52,487,602	13,386,332	(39,101,270)	26 %	26 %	-
Community and public safety	**244,014,459**	-	**244,014,459**	-		**244,014,459**	**69,916,205**	**(174,098,254)**	**29 %**	**29 %**	-
Community and social services	8,565,125	-	8,565,125	-		8,565,125	8,879,787	314,662	104 %	104 %	-
Sport and recreation	2,404,688	-	2,404,688	-		2,404,688	12,823,511	10,418,823	533 %	533 %	-
Public safety	98,154,471	-	98,154,471	-		98,154,471	40,380,621	(57,773,850)	41 %	41 %	-
Housing	134,876,848	-	134,876,848	-		134,876,848	7,823,886	(127,052,962)	6 %	6 %	-
Health	13,327	-	13,327	-		13,327	8,400	(4,927)	63 %	63 %	-
Economic and environmental services	**13,660,687**	-	**13,660,687**	-		**13,660,687**	**8,230,854**	**(5,429,833)**	**60 %**	**60 %**	-
Planning and development	11,706,660	-	11,706,660	-		11,706,660	11,337,117	(369,543)	97 %	97 %	-
Road transport	1,707,821	-	1,707,821	-		1,707,821	(3,268,270)	(4,976,091)	(191)%	(191)%	-
Environmental protection	246,206	-	246,206	-		246,206	162,007	(84,199)	66 %	66 %	-
Trading services	**4,104,969,551**	**(14,038,732)**	**4,090,930,819**	-		**4,090,930,819**	**3,734,088,581**	**(356,842,238)**	**91 %**	**91 %**	-
Electricity	2,560,564,035	(102,756,797)	2,457,807,238	-		2,457,807,238	2,116,637,465	(341,169,773)	86 %	83 %	-
Water	930,018,467	112,220,623	1,042,239,090	-		1,042,239,090	1,026,625,866	(15,613,224)	99 %	110 %	-
Waste water management	339,875,115	(7,243,810)	332,631,305	-		332,631,305	325,818,196	(6,813,109)	98 %	96 %	-
Waste management	274,511,934	(16,258,748)	258,253,186	-		258,253,186	265,007,054	6,753,868	103 %	97 %	-
Other	**24,627,290**	-	**24,627,290**	-		**24,627,290**	**24,572,043**	**(55,247)**	**100 %**	**100 %**	-
Other	24,627,290	-	24,627,290	-		24,627,290	24,572,043	(55,247)	100 %	100 %	-
Total Revenue - Standard	**7,592,154,234**	**(14,214,097)**	**7,577,940,137**	-		**7,577,940,137**	**7,658,866,985**	**80,926,848**	**101 %**	**101 %**	-

Mangaung Metropolitan Municipality
Appendix E1 to the Consolidated Annual Financial Statements - Unaudited
Budgeted Financial Performance (revenue and expenditure by standard classification)
for the year ended 30 June 2017

	2017										2016
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Expenditure - Standard											
Governance and administration	**1,446,466,224**	**(488,596)**	**1,445,977,628**	-	-	**1,445,977,628**	**1,563,476,115**	**117,498,487**	**108 %**	**108 %**	-
Executive and council	424,034,398	9,000,000	433,034,398	-	-	433,034,398	331,240,920	(101,793,478)	76 %	78 %	-
Budget and treasury office	622,466,842	(9,669,596)	612,797,246	-	-	612,797,246	781,064,109	168,266,863	127 %	125 %	-
Corporate services	399,964,984	181,000	400,145,984	-	-	400,145,984	451,171,086	51,025,102	113 %	113 %	-
Community and public safety	**654,622,518**	**700,939**	**655,323,457**	-	-	**655,323,457**	**503,493,010**	**(151,830,447)**	**77 %**	**77 %**	-
Community and social services	188,068,498	(206,000)	187,862,498	-	-	187,862,498	124,227,533	(63,634,965)	66 %	66 %	-
Sport and recreation	49,963,664	1,562,000	51,525,664	-	-	51,525,664	25,602,538	(25,923,126)	50 %	51 %	-
Public safety	307,508,942	(1,538,000)	305,970,942	-	-	305,970,942	264,052,337	(41,918,605)	86 %	86 %	-
Housing	92,748,585	882,939	93,631,524	-	-	93,631,524	79,859,670	(13,771,854)	85 %	86 %	-
Health	16,332,829	-	16,332,829	-	-	16,332,829	9,750,932	(6,581,897)	60 %	60 %	-
Economic and environmental services	**800,052,479**	**(29,237,000)**	**770,815,479**	-	-	**770,815,479**	**1,033,112,041**	**262,296,562**	**134 %**	**129 %**	-
Planning and development	122,353,930	-	122,353,930	-	-	122,353,930	73,207,732	(49,146,198)	60 %	60 %	-
Road transport	639,028,871	(29,237,000)	609,791,871	-	-	609,791,871	936,752,490	326,960,619	154 %	147 %	-
Environmental protection	38,669,678	-	38,669,678	-	-	38,669,678	23,151,819	(15,517,859)	60 %	60 %	-
Trading services	**3,663,183,950**	**5,643,713**	**3,668,827,663**	-	-	**3,668,827,663**	**3,416,953,467**	**(251,874,196)**	**93 %**	**93 %**	-
Electricity	2,294,914,933	(68,592,878)	2,226,322,055	-	-	2,226,322,055	2,000,111,349	(226,210,706)	90 %	87 %	-
Water	823,909,836	68,947,552	892,857,388	-	-	892,857,388	979,791,069	86,933,681	110 %	119 %	-
Waste water management	296,866,764	(3,294,961)	293,571,803	-	-	293,571,803	230,054,023	(63,517,780)	78 %	77 %	-
Waste management	247,492,417	8,584,000	256,076,417	-	-	256,076,417	206,997,026	(49,079,391)	81 %	84 %	-
Other	**34,143,103**	-	**34,143,103**	-	-	**34,143,103**	**12,532,953**	**(21,610,150)**	**37 %**	**37 %**	-
Other	34,143,103	-	34,143,103	-	-	34,143,103	12,532,953	(21,610,150)	37 %	37 %	-
Total Expenditure - Standard	**6,598,468,274**	**(23,380,944)**	**6,575,087,330**	-	-	**6,575,087,330**	**6,529,567,586**	**(45,519,744)**	**99 %**	**99 %**	-
Surplus/(Deficit) for the year	**993,685,960**	**9,166,847**	**1,002,852,807**	-		**1,002,852,807**	**1,129,299,399**	**126,446,592**	**113 %**	**114 %**	-

Mangaung Metropolitan Municipality
Appendix E2 to the Consolidated Annual Financial Statements - Unaudited
Budgeted Financial Performance (revenue and expenditure by municipal vote)
for the year ended 30 June 2017

2017

	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Revenue by Vote										
City Manager	-	-	-	-		-	-	-	DIV/0 %	DIV/0 %
Executive Mayor	500,000	-	500,000	-		500,000	91,580,429	91,080,429	18,316 %	18,316 %
Corporate Services	15,115,459	-	15,115,459	-		15,115,459	19,299,780	4,184,321	128 %	128 %
Finance	1,288,058,527	15,719,541	1,303,778,068	-		1,303,778,068	1,357,076,337	53,298,269	104 %	105 %
Social Services	108,802,254	-	108,802,254	-		108,802,254	51,858,922	(56,943,332)	48 %	48 %
Planning	30,557,609	-	30,557,609	-		30,557,609	31,341,397	783,788	103 %	103 %
Human Settlement & Housing	174,330,253	-	174,330,253	-		174,330,253	19,560,909	(154,769,344)	11 %	11 %
Economic & Rural Development	519,300	-	519,300	-		519,300	3,060,052	2,540,752	589 %	589 %
Engineering Services	338,561,149	(7,243,810)	331,317,339	-		331,317,339	316,472,763	(14,844,576)	96 %	93 %
Water Services	926,113,572	112,220,623	1,038,334,195	-		1,038,334,195	1,018,045,904	(20,288,291)	98 %	110 %
Waste & Fleet Management	271,486,769	(16,258,748)	255,228,021	-		255,228,021	256,115,374	887,353	100 %	94 %
Miscellaneous Services	1,800,440,953	(15,894,906)	1,784,546,047	-		1,784,546,047	1,209,006,580	(575,539,467)	68 %	67 %
Naledi	77,104,354	-	77,104,354	-		77,104,354	1,168,811,073	1,091,706,719	1,516 %	1,516 %
Strategic Projects & Service Delivery	-	-	-	-		-	-	-	DIV/0 %	DIV/0 %
Centlec	2,560,564,035	(102,756,797)	2,457,807,238	-		2,457,807,238	2,116,637,461	(341,169,777)	86 %	83 %
Total Revenue by Vote	**7,592,154,234**	**(14,214,097)**	**7,577,940,137**	-		**7,577,940,137**	**7,658,866,981**	**80,926,844**	**101 %**	**101 %**
Expenditure by Vote to be appropriated										
City Manager	201,544,953	(9,671,144)	191,873,809	-	-	191,873,809	142,030,168	(49,843,641)	74 %	70 %
Executive Mayor	216,990,430	9,000,000	225,990,430	-	-	225,990,430	201,204,185	(24,786,245)	89 %	93 %
Corporate Services	319,585,497	180,914	319,766,411	-	-	319,766,411	332,868,503	13,102,092	104 %	104 %
Finance	257,367,551	-	257,367,551	-	-	257,367,551	202,526,594	(54,840,957)	79 %	79 %
Social Services	541,385,743	(180,916)	541,204,827	-	-	541,204,827	419,797,750	(121,407,077)	78 %	78 %
Planning	150,667,142	-	150,667,142	-	-	150,667,142	88,806,856	(61,860,286)	59 %	59 %
Human Settlement & Housing	129,075,426	882,939	129,958,365	-	-	129,958,365	104,247,851	(25,710,514)	80 %	81 %
Economic & Rural Development	56,362,875	-	56,362,875	-	-	56,362,875	28,786,363	(27,576,512)	51 %	51 %
Engineering Services	786,633,951	(32,532,051)	754,101,900	-	-	754,101,900	1,065,939,093	311,837,193	141 %	136 %
Water Services	812,265,043	68,947,552	881,212,595	-	-	881,212,595	978,133,735	96,921,140	111 %	120 %
Waste & Fleet Management Services	318,588,994	8,584,499	327,173,493	-	-	327,173,493	306,352,888	(20,820,605)	94 %	96 %
Miscellaneous Services	375,184,372	-	375,184,372	-	-	375,184,372	579,997,009	204,812,637	155 %	155 %
Naledi	76,036,325	-	76,036,325	-	-	76,036,325	36,089,819	(39,946,506)	47 %	47 %
Strategic Projects & Service Delivery	61,865,039	-	61,865,039	-	-	61,865,039	42,675,422	(19,189,617)	69 %	69 %
Centlec	2,294,914,933	(68,592,878)	2,226,322,055	-	-	2,226,322,055	2,000,111,346	(226,210,709)	90 %	87 %
Total Expenditure by Vote	**6,598,468,274**	**(23,381,085)**	**6,575,087,189**	-	-	**6,575,087,189**	**6,529,567,582**	**(45,519,607)**	**99 %**	**99 %**
Surplus/(Deficit) for the year	**993,685,960**	**9,166,988**	**1,002,852,948**	-		**1,002,852,948**	**1,129,299,399**	**126,446,451**	**113 %**	**114 %**

Mangaung Metropolitan Municipality
Appendix E3 to the Consolidated Annual Financial Statements - Unaudited
Budgeted Financial Performance (revenue and expenditure)
for the year ended 30 June 2017

	2017									
	Original Budget Rand	Budget Adjustments (i.t.o. s28 and s31 of the MFMA) Rand	Final adjustments budget Rand	Shifting of funds (i.t.o. s31 of the MFMA) Rand	Virement (i.t.o. Council approved policy) Rand	Final Budget Rand	Actual Outcome Rand	Variance of Actual Outcome against Adjustments Budget Rand	Actual Outcome as % of Final Budget Rand	Actual Outcome as % of Original Budget Rand
Revenue By Source										
Property rates	1,009,751,519	15,719,541	1,025,471,060	-		1,025,471,060	993,753,704	(31,717,356)	97 %	98 %
Property rates - penalties & collection charges	-	-	-	-		-	-	-	DIV/0 %	DIV/0 %
Service charges - electricity revenue	2,467,799,720	(102,756,797)	2,365,042,923	-		2,365,042,923	2,074,246,224	(290,796,699)	88 %	84 %
Service charges - water revenue	715,698,295	112,220,623	827,918,918	-		827,918,918	816,133,268	(11,785,650)	99 %	114 %
Service charges - sanitation revenue	244,712,028	(7,243,810)	237,468,218	-		237,468,218	232,381,108	(5,087,110)	98 %	95 %
Service charges - refuse revenue	100,096,536	(16,258,748)	83,837,788	-		83,837,788	92,458,975	8,621,187	110 %	92 %
Service charges - other	-	-	-	-		-	-	-	DIV/0 %	DIV/0 %
Rental of facilities and equipment	34,606,658	-	34,606,658	-		34,606,658	35,673,703	1,067,045	103 %	103 %
Interest earned - external investments	66,123,600	-	66,123,600	-		66,123,600	29,048,255	(37,075,345)	44 %	44 %
Interest earned - outstanding debtors	187,740,673	-	187,740,673	-		187,740,673	248,343,070	60,602,397	132 %	132 %
Dividends received	-	-	-	-		-	-	-	DIV/0 %	DIV/0 %
Fines	98,366,652	-	98,366,652	-		98,366,652	46,724,504	(51,642,148)	48 %	48 %
Licences and permits	814,000	-	814,000	-		814,000	259,038	(554,962)	32 %	32 %
Agency services	-	-	-	-		-	-	-	DIV/0 %	DIV/0 %
Transfers recognised - operational	1,212,506,974	(8,788,144)	1,203,718,830	-		1,203,718,830	1,077,317,895	(126,400,935)	89 %	89 %
Other revenue	384,847,853	-	384,847,853	-		384,847,853	138,969,779	(245,878,074)	36 %	36 %
Gains on disposal of PPE	118,959,375	-	118,959,375	-		118,959,375	1,125,467,877	1,006,508,502	946 %	946 %
Total Revenue (excluding capital transfers and contributions)	**6,642,023,883**	**(7,107,335)**	**6,634,916,548**	**-**		**6,634,916,548**	**6,910,777,400**	**275,860,852**	**104 %**	**104 %**

Mangaung Metropolitan Municipality
Appendix E3 to the Consolidated Annual Financial Statements - Unaudited
Budgeted Financial Performance (revenue and expenditure)
for the year ended 30 June 2017

2017

	Original Budget Rand	Budget Adjustments (i.t.o. s28 and s31 of the MFMA) Rand	Final adjustments budget Rand	Shifting of funds (i.t.o. s31 of the MFMA) Rand	Virement (i.t.o. Council approved policy) Rand	Final Budget Rand	Actual Outcome Rand	Variance of Actual Outcome against Adjustments Budget Rand	Actual Outcome as % of Final Budget Rand	Actual Outcome as % of Original Budget Rand
Expenditure By Type										
Employee related costs	1,780,159,964	(32,157,034)	1,748,002,930	-	-	1,748,002,930	1,673,284,326	(74,718,604)	96 %	94 %
Remuneration of councillors	57,580,007	(2,038,454)	55,541,553	-	-	55,541,553	56,028,903	487,350	101 %	97 %
Debt impairment	297,507,538	35,600,000	333,107,538		-	333,107,538	663,902,460	330,794,922	199 %	223 %
Depreciation & asset impairment	621,796,556	-	621,796,556		-	621,796,556	912,979,425	291,182,869	147 %	147 %
Finance charges	169,480,613	300,000	169,780,613	-	-	169,780,613	144,386,611	(25,394,002)	85 %	85 %
Bulk purchases	1,847,140,224	-	1,847,140,224	-	-	1,847,140,224	1,892,632,800	45,492,576	102 %	102 %
Other materials	124,612,918	(6,843,236)	117,769,682	-	-	117,769,682	68,479,831	(49,289,851)	58 %	55 %
Contracted services	937,454,729	(1,737,664)	935,717,065	-	-	935,717,065	885,553,444	(50,163,621)	95 %	94 %
Transfers and grants	32,445,628	(900,000)	31,545,628	-	-	31,545,628	5,606,920	(25,938,708)	18 %	17 %
Other expenditure	729,991,277	(15,604,697)	714,386,580	-	-	714,386,580	250,319,188	(464,067,392)	35 %	34 %
Loss on disposal of PPE	298,820	-	298,820	-	-	298,820	674,503	375,683	226 %	226 %
Total Expenditure	**6,598,468,274**	**(23,381,085)**	**6,575,087,189**	-	-	**6,575,087,189**	**6,553,848,411**	**(21,238,778)**	**100 %**	**99 %**
Surplus/(Deficit)	**43,555,609**	**16,273,750**	**59,829,359**	-		**59,829,359**	**356,928,989**	**297,099,630**	**597 %**	**819 %**
Transfers recognised - capital	919,386,000	(7,106,762)	912,279,238	-		912,279,238	731,477,287	(180,801,951)	80 %	80 %
Contributions recognised - capital	30,744,351	-	30,744,351	-		30,744,351	16,612,298	(14,132,053)	54 %	54 %
Contributed assets	-	-	-	-		-	-	-	DIV/0 %	DIV/0 %
Surplus/(Deficit) after capital transfers & contributions	**993,685,960**	**9,166,988**	**1,002,852,948**	-		**1,002,852,948**	**1,105,018,574**	**102,165,626**	**110 %**	**111 %**
Taxation	-	-	-	-		-	24,280,825	24,280,825	DIV/0 %	DIV/0 %
Surplus/(Deficit) after taxation	**993,685,960**	**9,166,988**	**1,002,852,948**	-		**1,002,852,948**	**1,129,299,399**	**126,446,451**	**113 %**	**114 %**

Mangaung Metropolitan Municipality
Appendix E4 to the Consolidated Annual Financial Statements - Unaudited
Budgeted Capital Expenditure by vote, standard classification and funding
for the year ended 30 June 2017

	2017										2016
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Capital expenditure - Vote											
Multi-year expenditure											
City Manager	80,142,000	(35,670,605)	44,471,395	-	-	44,471,395	26,354,580	(18,116,815)	59 %	33 %	-
Executive Mayor	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-
Corporate Services	32,159,070	1,790,360	33,949,430	-	-	33,949,430	27,449,223	(6,500,207)	81 %	85 %	-
Finance	3,162,300	(1,500,000)	1,662,300	-	-	1,662,300	1,420,542	(241,758)	85 %	45 %	-
Social Services	52,801,287	(21,290,269)	31,511,018	-	-	31,511,018	16,311,150	(15,199,868)	52 %	31 %	-
Planning	12,500,000	1,356,005	13,856,005	-	-	13,856,005	3,439,044	(10,416,961)	25 %	28 %	-
Human Settlements	53,620,482	2,120,061	55,740,543	-	-	55,740,543	13,942,149	(41,798,394)	25 %	26 %	-
Economic & Rural Development	54,282,105	(35,112,805)	19,169,300	-	-	19,169,300	8,839,345	(10,329,955)	46 %	16 %	-
Engineering Services	729,419,288	40,071,094	769,490,382	-	-	769,490,382	730,630,111	(38,860,271)	95 %	100 %	-
Water Services	275,689,002	26,889,992	302,578,994	-	-	302,578,994	139,539,422	(163,039,572)	46 %	51 %	-
Waste & Fleet Management	104,656,000	(18,081,591)	86,574,409	-	-	86,574,409	5,383,597	(81,190,812)	6 %	5 %	-
Miscellaneous Services	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-
Naledi	13,741,001	-	13,741,001	-	-	13,741,001	478,471	(13,262,530)	3 %	3 %	-
Strategic Projects & Service Delivery	193,579,000	(117,200,000)	76,379,000	-	-	76,379,000	694,053	(75,684,947)	1 %	- %	-
Centlec	200,342,641	32,436,409	232,779,050	-	-	232,779,050	222,562,922	(10,216,128)	96 %	111 %	-
Capital multi-year expenditure sub-total	**1,806,094,176**	**(124,191,349)**	**1,681,902,827**	**-**	**-**	**1,681,902,827**	**1,197,044,609**	**(484,858,218)**	**71 %**	**66 %**	**-**

Mangaung Metropolitan Municipality
Appendix E4 to the Consolidated Annual Financial Statements - Unaudited
Budgeted Capital Expenditure by vote, standard classification and funding
for the year ended 30 June 2017

	2017										2016
	Original Budget Rand	Budget Adjustments (i.t.o. s28 and s31 of the MFMA) Rand	Final adjustments budget Rand	Shifting of funds (i.t.o. s31 of the MFMA) Rand	Virement (i.t.o. Council approved policy) Rand	Final Budget Rand	Actual Outcome Rand	Variance of Actual Outcome against Adjustments Budget Rand	Actual Outcome as % of Final Budget Rand	Actual Outcome as % of Original Budget Rand	Restated Audited Outcome Rand
Capital Expenditure - Standard											
Governance and administration	**397,394,371**	**(163,921,780)**	**233,472,591**	-	-	**233,472,591**	**50,306,636**	**(183,165,955)**	**22 %**	**13 %**	-
Executive and council	287,462,001	(152,870,605)	134,591,396	-	-	134,591,396	27,527,104	(107,064,292)	20 %	10 %	-
Budget and treasury office	3,162,300	(1,500,000)	1,662,300	-	-	1,662,300	1,420,542	(241,758)	85 %	45 %	-
Corporate services	106,770,070	(9,551,175)	97,218,895	-	-	97,218,895	21,358,990	(75,859,905)	22 %	20 %	-
Community and public safety	**111,921,769**	**(20,804,673)**	**91,117,096**	-	-	**91,117,096**	**36,500,174**	**(54,616,922)**	**40 %**	**33 %**	-
Community and social services	33,103,787	(15,224,691)	17,879,096	-	-	17,879,096	15,262,824	(2,616,272)	85 %	46 %	-
Sport and recreation	10,500,000	(1,334,465)	9,165,535	-	-	9,165,535	6,246,874	(2,918,661)	68 %	59 %	-
Public safety	14,697,500	(6,365,578)	8,331,922	-	-	8,331,922	1,048,327	(7,283,595)	13 %	7 %	-
Housing	53,620,482	2,120,061	55,740,543	-	-	55,740,543	13,942,149	(41,798,394)	25 %	26 %	-
Health	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-
Economic and environmental services	**346,737,928**	**10,164,072**	**356,902,000**	-	-	**356,902,000**	**290,674,202**	**(66,227,798)**	**81 %**	**84 %**	-
Planning and development	49,416,000	(17,147,995)	32,268,005	-	-	32,268,005	11,027,551	(21,240,454)	34 %	22 %	-
Road transport	292,321,928	27,012,067	319,333,995	-	-	319,333,995	279,646,651	(39,687,344)	88 %	96 %	-
Environmental protection	5,000,000	300,000	5,300,000	-	-	5,300,000	-	(5,300,000)	- %	- %	-
Trading services	**932,674,003**	**66,979,837**	**999,653,840**	-	-	**999,653,840**	**818,312,759**	**(181,341,081)**	**82 %**	**88 %**	-
Electricity	200,342,641	32,436,409	232,779,050	-	-	232,779,050	222,562,922	(10,216,128)	96 %	111 %	-
Water	275,689,002	26,889,992	302,578,994	-	-	302,578,994	139,539,422	(163,039,572)	46 %	51 %	-
Waste water management	437,097,360	13,059,027	450,156,387	-	-	450,156,387	450,983,460	827,073	100 %	103 %	-
Waste management	19,545,000	(5,405,591)	14,139,409	-	-	14,139,409	5,226,955	(8,912,454)	37 %	27 %	-
Other	**17,366,105**	**(16,608,805)**	**757,300**	-	-	**757,300**	**1,250,838**	**493,538**	**165 %**	**7 %**	-
Other	17,366,105	(16,608,805)	757,300	-	-	757,300	1,250,838	493,538	165 %	7 %	-
Total Capital Expenditure - Standard	**1,806,094,176**	**(124,191,349)**	**1,681,902,827**	-	-	**1,681,902,827**	**1,197,044,609**	**(484,858,218)**	**71 %**	**66 %**	-
Funded by:											
National Government	919,386,000	(7,106,701)	912,279,299	-		912,279,299	-	(912,279,299)	- %	- %	-
Provincial Government	-	-	-	-		-	-	-	DIV/0 %	DIV/0 %	-
Transfers recognised - capital	**919,386,000**	**(7,106,701)**	**912,279,299**	-		**912,279,299**	-	**(912,279,299)**	- %	- %	-
Public contributions & donations	30,744,351	-	30,744,351	-		30,744,351	-	(30,744,351)	- %	- %	-
Borrowing	579,849,000	(114,781,314)	465,067,686	-		465,067,686	-	(465,067,686)	- %	- %	-
Internally generated funds	276,114,825	(2,303,334)	273,811,491	-		273,811,491	-	(273,811,491)	- %	- %	-
Total Capital Funding	**1,806,094,176**	**(124,191,349)**	**1,681,902,827**	-		**1,681,902,827**	-	**(1,681,902,827)**	- %	- %	-

Mangaung Metropolitan Municipality
Appendix E5 to the Consolidated Annual Financial Statements - Unaudited
Budgeted Cash Flows
for the year ended 30 June 2017

	2017									
	Original Budget Rand	Budget Adjustments (i.t.o. s28 and s31 of the MFMA) Rand	Final adjustments budget Rand	Shifting of funds (i.t.o. s31 of the MFMA) Rand	Virement (i.t.o. Council approved policy) Rand	Final Budget Rand	Actual Outcome Rand	Variance of Actual Outcome against Adjustments Budget Rand	Actual Outcome as % of Final Budget Rand	Actual Outcome as % of Original Budget Rand
Cash flow from operating activities										
Receipts										
Ratepayers and other	1,928,608,511	714,198,106	2,642,806,617	-	-	2,642,806,617	3,410,181,376	767,374,759	129 %	177 %
Government - operating	1,212,506,974	(295,128,760)	917,378,214	-	-	917,378,214	1,866,918,320	949,540,106	204 %	154 %
Government - capital	854,879,567	(213,375,567)	641,504,000	-	-	641,504,000	-	(641,504,000)	- %	- %
Interest	193,689,082	(115,292,146)	78,396,936	-	-	78,396,936	253,700,337	175,303,401	324 %	131 %
Payments										
Suppliers and employees	(2,995,195,998)	(181,373,749)	(3,176,569,747)	-	-	(3,176,569,747)	(4,672,547,971)	(1,495,978,224)	147 %	156 %
Finance charges	(26,933,846)	8,029,522	(18,904,324)	-	-	(18,904,324)	(234,408)	18,669,916	1 %	1 %
Transfers and Grants	(74,763,347)	17,835,255	(56,928,092)	-	-	(56,928,092)	(5,810,922)	51,117,170	10 %	8 %
Net cash flow from/used operating activities	**1,092,790,943**	**(65,107,339)**	**1,027,683,604**	**-**	**-**	**1,027,683,604**	**852,206,732**	**(175,476,872)**	**83 %**	**78 %**
Cash flow from investing activities										
Receipts										
Proceeds on disposal of PPE	97,554,728	(97,554,728)	-	-	-	-	-	-	DIV/0 %	- %
Movement in non-current debtors	-	31,141,686	31,141,686	-	-	31,141,686	460,014	(30,681,672)	1 %	DIV/0 %
Transfer of functions between entities not under common control	-	-	-	-	-	-	4,362,110	4,362,110	DIV/0 %	DIV/0 %
Movement in non-current investments	159,378,442	(225,600,126)	(66,221,684)	-	-	(66,221,684)	(36,326,733)	29,894,951	55 %	(23)%
Payments										
Capital assets	(1,534,494,422)	680,198,402	(854,296,020)	-	-	(854,296,020)	(1,180,260,942)	(325,964,922)	138 %	77 %
Net cash flow from/used investing activities	**(1,277,561,252)**	**388,185,234**	**(889,376,018)**	**-**	**-**	**(889,376,018)**	**(1,211,765,551)**	**(322,389,533)**	**136 %**	**95 %**
Cash flow from financing activities										
Receipts										
Borrowing long term/refinancing	500,000,000	-	500,000,000	-	-	500,000,000	500,000,000	-	100 %	100 %
Movement in consumer deposits	9,029,226	(175,909,944)	(166,880,718)	-	-	(166,880,718)	(12,350,304)	154,530,414	7 %	(137)%
Payments										
Repayment of borrowing	(71,293,003)	-	(71,293,003)	-	-	(71,293,003)	(221,995,773)	(150,702,770)	311 %	311 %
Net cash flow from/used financing activities	**437,736,223**	**(175,909,944)**	**261,826,279**	**-**	**-**	**261,826,279**	**265,653,923**	**3,827,644**	**101 %**	**61 %**
Net increase/(decrease) in cash held	**252,965,914**	**147,167,951**	**400,133,865**	**-**	**-**	**400,133,865**	**(93,904,896)**	**(494,038,761)**	**(23)%**	**(37)%**
Cash/cash equivalents at the year begin.							433,497,920			
Cash/cash equivalents at the year end:	**252,965,914**	**147,167,951**	**400,133,865**	**-**	**-**	**400,133,865**	**339,593,024**	**(494,038,761)**	**85 %**	**134 %**

Mangaung Metropolitan Municipality
Appendix F to the Consolidated Annual Financial Statements for the year ended 30 June 2017 - Audited
Councillors' Arrear Consumer Accounts (over 90 days)

Surname and Initials	July 2016	August 2016	September 2016	October 2016	November 2016	December 2016	January 2017	February 2017	March 2017	April 2017	May 2017	June 2017
Water and Other services:												
Phajane M A*	17,897	-	-	-	-	-	-	-	-	-	-	-
Minnie H*	457	-	-	-	-	-	-	-	-	-	-	-
Mbange M B*	10,633	-	-	-	-	-	-	-	-	-	-	-
Ward V W*	59,066	-	-	-	-	-	-	-	-	-	-	-
Mtshiwane K J*	133	-	-	-	-	-	-	-	-	-	-	-
Matsoetlane M J*	1,178	-	-	-	-	-	-	-	-	-	-	-
Lekgela L E*	225	-	-	-	-	-	-	-	-	-	-	-
Lala T S*	259	-	-	-	-	-	-	-	-	-	-	-
Qwema M B*	12,106	-	-	-	-	-	-	-	-	-	-	-
Fujana M D*	15	-	-	-	-	-	-	-	-	-	-	-
Nothnagel J	-	-	-	-	-	-	1,827	4,423	7,036	9,666	12,312	14,981
Naile T J	527	531	534	538	542	545	549	553	556	560	564	567
Petersen J E	14,929	13,722	12,237	10,449	9,251	8,020	6,791	5,275	3,794	2,864	1,431	1,148
Nkoe M J	79,351	80,013	80,533	81,128	80,889	81,487	82,724	93,217	94,022	94,911	95,802	107,618
Mpakathe T S	3,018	4,886	3,867	3,565	3,051	2,123	1,441	481	268	-	-	-
Titi L M	1,455	1,659	1,556	-	-	-	-	804	-	-	-	-
Masoetsa L A	-	-	-	-	-	-	-	3	-	-	2,988	5,307
Mvuyo A	6,654	6,703	5,760	5,809	5,866	5,916	5,958	5,999	6,058	6,115	6,172	5,999
Mokoena J I**	-	3,623	4,128	4,674	5,067	5,624	6,162	6,716	7,264	7,819	8,377	10,929
Mlamleli S M**	-	2,310	-	-	-	-	-	-	-	-	-	-
Sebolao J E**	-	8,970	9,026	9,350	10,544	12,275	11,903	11,986	11,479	11,134	13,172	14,923
Goliath E K**	-	119	119	119	119	119	119	119	119	119	119	119
Thwala Z J**	-	12,994	13,686	13,794	13,899	14,013	14,166	13,280	12,438	11,627	10,379	8,493
Mohlabane R J**	-	21,267	20,195	20,418	20,765	21,960	21,795	23,658	24,321	24,621	25,235	25,862
Khunou L M**	-	707	712	717	722	727	732	737	741	746	751	756
Mabale G**	-	707	712	717	722	727	732	737	742	747	752	757
Monyakoana N P M**	-	-	-	-	-	-	-	-	95	505	916	1,342
Dyosiba S	-	-	-	-	-	-	-	-	11	243	476	710
Matetha N R**	-	-	-	-	-	-	-	-	-	-	569	1,001
Snyman van Deventer E	-	-	-	-	-	-	-	-	-	-	-	448
Pretorius S**	-	70,544	70,214	70,539	69,085	63,505	15,051	12,752	10,980	9,808	8,036	4,769
Motloung M V**	-	1,037	1,044	1,050	1,057	1,063	1,070	1,076	1,083	1,089	1,096	1,102
Makhalanyane T S**	-	123	108	123	132	140	149	157	158	148	160	172
Motsomi T E**	-	16,907	17,060	16,774	16,891	17,537	18,424	18,630	18,715	19,133	19,430	19,825
Ferreira T I**	-	-	-	-	-	104	-	-	-	-	-	-
Gailele I L**	-	5,514	5,909	6,302	6,699	7,099	6,501	5,907	5,316	5,316	5,316	4,718
Total	**207,903**	**252,336**	**247,400**	**246,066**	**245,301**	**242,984**	**196,094**	**206,510**	**205,196**	**207,171**	**214,053**	**231,546**

Mangaung Metropolitan Municipality
Appendix F to the Consolidated Annual Financial Statements for the year ended 30 June 2017 - Audited
Councillors' Arrear Consumer Accounts (over 90 days)

Surname and Initials	July 2016	August 2016	September 2016	October 2016	November 2016	December 2016	January 2017	February 2017	March 2017	April 2017	May 2017	June 2017
Electricity services:												
Petersen JE	11,960	11,960	11,960	11,960	11,960	11,960	11,960	11,960	11,960	11,960	11,960	11,960
Nothnagel J	21,901	21,901	21,901	21,901	21,901	21,901	21,901	21,901	21,901	21,901	21,901	21,901
Masoetsa LA	15,973	16,096	10,168	10,240	10,312	10,384	10,457	10,529	10,601	10,673	10,745	10,817
Siyonzana MA	59,697	63,532	68,476	71,208	74,554	77,149	79,101	82,597	84,719	87,821	90,168	92,521
Viviers BJ	2,602	2,245	3,003	1,851	1,837	2,022	1,582	3,075	823	2,013	1,987	1,843
Ferreira TI	1,911	1,911	1,911	1,911	1,911	1,911	1,911	1,911	1,911	1,911	1,911	1,911
Masoeu JD	5,528	5,528	5,528	-	-	-	-	-	-	-	-	-
Mokoena JI	38,692	38,692	38,692	38,692	38,692	38,692	38,692	38,692	38,692	38,692	38,692	38,692
Rasoeu LE	564	564	564	564	564	564	564	564	564	564	564	564
Sebolai JJ	463	463	463	463	463	463	463	463	463	463	463	463
Snyman van Deventer E	454	454	454	454	454	454	454	454	454	454	454	454
Van der Merwe R	845	848	853	853	856	873	967	2,175	2,795	4,051	1,089	1,100
Pretorius S	3,911	3,911	3,911	3,911	3,911	3,911	3,911	3,911	3,911	3,911	3,911	3,911
Total	**164,501**	**168,105**	**167,884**	**164,008**	**167,415**	**170,284**	**171,963**	**178,232**	**178,794**	**184,414**	**183,845**	**186,137**

* These relate to the former Council up to 6 August 2016
** These relate to the new Council as from 6 August 2016

Mangaung Metropolitan Municipality
Appendix F to the Consolidated Annual Financial Statements for the year ended 30 June 2017 - Audited
Councillors' Arrear Consumer Accounts (over 90 days)

Surname and Initials	July 2015	August 2015	September 2015	October 2015	November 2015	December 2015	January 2016	February 2016	March 2016	April 2016	May 2016	June 2016
Water and Other services:												
Botes FR	-	-	-	-	1	-	-	-	-	-	-	-
Lala TS	-	-	-	39	-	118	105	174	346	457	750	146
Lekgela LE	529	-	-	-	-	-	-	-	-	-	-	-
Mashoane ED	25,885	23,619	21,352	19,086	16,822	16,945	14,681	10,019	10,112	5,589	3,203	817
Masoetsa LA	-	-	-	899	-	-	-	-	-	-	-	-
Matsemelela MV	80	-	-	-	-	-	-	-	-	-	-	-
Matsoetlane MJ	629	-	-	-	-	-	-	-	7	350	574	810
Mbangane MB	11,789	12,471	13,133	13,883	14,919	16,504	15,100	14,294	14,177	14,177	14,792	12,109
Minnie H	477	426	602	918	1,172	1,429	1,444	441	444	447	450	453
Mononyane MB	36,195	32,706	29,339	27,651	24,136	24,935	15,880	12,274	12,987	6,893	2,550	-
Mpakathe TS	-	-	-	-	1	-	-	618	1,200	2,092	2,307	2,863
Mpheqeka MS	29,257	26,132	22,997	20,153	20,804	17,663	15,245	12,052	12,052	7,652	3,943	233
Mtshiwane KJ	-	-	-	-	-	2	-	-	306	-	278	-
Naile TJ	486	489	492	496	499	502	506	509	513	516	520	523
Ndamande SS	712	712	-	-	-	-	-	-	-	-	-	-
Nkoe MJ	70,269	62,396	62,883	62,446	63,317	72,137	72,687	73,023	74,498	75,145	76,649	78,277
Petersen JE	23,096	24,525	23,853	23,217	22,695	22,131	21,624	21,229	20,583	18,536	15,997	15,477
Phajane MA	6,704	7,823	9,076	10,348	10,787	11,009	9,006	10,275	11,512	12,802	14,913	16,244
Siyonzana MA	328	656	-	-	-	-	-	-	-	-	-	-
Thipenyane G	-	-	-	-	-	-	-	536	-	-	-	-
Titi LM	-	-	-	-	-	-	-	1,164	1,717	1,173	1,187	1,297
Ward V W	101,570	93,499	3,263	4,382	5,426	6,552	7,820	11,692	12,690	16,245	17,924	19,779
Grand Total	**308,006**	**285,454**	**186,990**	**183,518**	**180,579**	**189,927**	**174,098**	**168,300**	**173,144**	**162,074**	**156,037**	**149,028**
Electricity services:												
Petersen JE	14,618	13,732	12,846	12,846	12,846	12,846	11,960	11,960	11,960	11,960	11,960	11,960
Masoetsa LA	8,496	10,397	8,507	8,448	11,771	15,162	15,243	15,363	15,483	15,605	15,728	15,850
Siyonzana MA	33,496	37,648	40,908	42,388	44,593	45,436	46,129	47,501	49,041	50,492	52,264	54,909
Viviers BJ	2,600	1,696	1,526	886	669	399	729	2,417	1,946	2,803	1,614	1,783
Mashoane ED	84,022	84,532	85,041	85,041	85,041	85,041	85,041	85,041	85,041	85,041	85,041	85,041
Zophe NM	869	869	869	869	869	869	869	869	869	869	869	869
Pretorius JC	4,604	6,558	8,930	1,254	1,370	2,713	1,127	-	-	-	-	-
Phajane MA	3,475	3,501	3,526	3,526	3,526	3,526	3,526	3,526	3,526	3,526	3,526	3,526
Nothnagel J	20,675	20,675	20,675	20,675	20,675	20,675	20,675	20,675	20,675	20,675	20,675	20,675
Total	**172,855**	**179,608**	**182,828**	**175,933**	**181,360**	**186,667**	**185,299**	**187,352**	**188,541**	**190,971**	**191,677**	**194,613**